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AN INQUIRY

INTO

THE NATURE AND CAUSES

OF THE

WEALTH OF NATIONS

By ADAM SMITH, LL.D.

B 4747

WITH

A LIFE OF THE AUTHOR, AN INTRODUCTORY DISCOURSE, NOTES, AND SUPPLEMENTAL DISSERTATIONS

By J. R. M'CULLOCH, Esq.
FOREIGN ASSOCIATE OF THE INSTITUTE OF FRANCE.

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NEW EDITION

REVISED, CORRECTED, AND IMPROVED.

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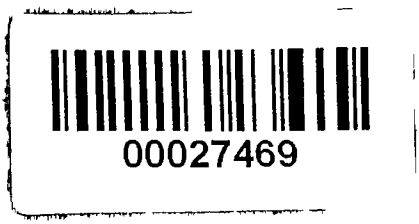


PREFACE

TO THE EDITION OF 1863.

THIS edition of the great work of Adam Smith first appeared in 1828, in 4 vols. 8vo. The rapid progress of events, by enlarging the field of observation, led to the publication of an entirely new edition in 1838. The period that has since elapsed has been illustrated by many important changes in the state and policy of this and other countries. The discovery of the gold fields of California and Australia, and the vast amount of gold which they have furnished, are the most extraordinary events of the kind that have ever occurred. And though opinion be in some degree divided in regard to the influence of so unprecedented a supply of the precious metals, there can, we apprehend, be little doubt that, on the whole, it has been, and promises to be, highly advantageous. The unfortunate contest that is now being carried on with so much bitterness in the United States has furnished much matter of interest in political discussions. Its bearing upon the state and prospects of the cotton trade is, however, more germane to the subjects treated of in this work, and in that view deserves attentive consideration. Special reference has been made to the late commercial treaty with France, and to some of the questions to which it has given rise, in the new note on Commercial Treaties. And we have added to this edition, notes on Credit, Foundations, Direct and Indirect Taxes, &c.

Among the measures and events that more particularly affect the United Kingdom, which we have had to notice, may be specified the change in the currency accomplished by the Act of 1844, with the suspensions of that Act in 1847 and 1857; the occurrence of the potato rot in 1846-7, and the results to which it led, including the abolition of the corn laws, and the diminution of the population of Ireland; the entire repeal of the navigation laws and of the regulations in regard to the coasting trade, has also been effected within this period; and it further includes the important changes in our commercial policy introduced by Sir Robert Peel and succeeding ministers. The Scottish law of entail was assimilated to that of England in 1848.

We have given some account of these and other measures, and endeavoured to estimate their probable influence. But our limits would not admit of this being done with anything like the fulness which their importance would have justified. In most instances we have been obliged to avoid entering into details, and to content ourselves with such a general view of the subject as appeared sufficient to enable it to be properly appreciated by the reader.

If we have succeeded in our efforts, this edition of the "Wealth of Nations" will be found to be adapted to the present condition and policy of the country, and on a level with the improved science of the present time.

In reviewing the doctrines and measures that have come under our notice, we have not hesitated freely to express our opinions upon them. But we have uniformly stated the grounds on which these opinions have been formed, so that the reader may judge to what extent they are entitled to his confidence. And though we dare not flatter ourselves that we have fully succeeded in our endeavour to render the matter added to the work adequate to supply its deficiencies, and deserving of the place which it occupies, yet we would fain hope that we have not altogether failed in our purpose.

London, September 1863.

PREFACE

(WITH SOME ADDITIONS)

TO THE EDITION OF 1828.

THE doctrines and conclusions embodied in the "Wealth of Nations" are all, or mostly all, deduced from the teaching of experience. To an extensive and careful survey of history, the author added an attentive observation of what was going on around him. He did not satisfy himself with merely laying it down that individuals and nations are always actuated by a desire to advance what they believe to be their own interest or aggrandisement; but he further showed how the working of this leading principle is affected, or modified, by the varying circumstances that influence society. And there is no doubt that this combination of theory and practice, of general principles intermingled with, and corrected by observations, has given to his work a value and a popularity that it would not otherwise have possessed.

But a book of this sort, however admirable, is apt, in no very lengthened period, to acquire an antiquated appearance. A more scientific treatise, like that of Ricardo, is in great measure independent of the changes that occur in the progress of society. But this is not the case with the work of Adam Smith. It is constructed upon inferences drawn from what has been the conduct of nations under certain conditions and at certain periods; and when these change, and a new order of things has been established for a lengthened series of years, some of the references in the work will most likely become inapplicable, and it may, perhaps, be supposed that its authority is therefore shaken. And in some respects this may be the case. It is no doubt true that mankind are in general governed or actuated by the same principles and propensities; so that their manifestations at one time, if they be carefully observed, furnish a strong presumption of what they may be expected to be again under the like circumstances. Inasmuch, however, as there is something peculiar to almost every case, which it is often very difficult to discover, and, when discovered,

to appreciate its precise influence, the most cautious inquirers can hardly fail to make occasional mistakes in judging of what will be from what has been, and in drawing general rules from individual cases.

The period since Adam Smith put the last hand to the "Wealth of "Nations," in 1786, has been full of the most momentous vicissitudes. The shock given by the French Revolution to old systems and prejudices, the stimulus which it imparted to the public mind in every part of the civilized world, and the wars and convulsions to which it led, totally changed the internal organization, and materially modified the policy and boundaries of many powerful states. The fetters by which industry was shackled, and the partial and oppressive imposts by which it was burdened, in France, Germany, Italy, and Spain; the feudal privileges of the nobility; and the immunities enjoyed by the clergy of these countries in the days of Smith, have been mostly swept away. Representative governments have been established in France, Holland, Belgium, and some other continental states; and the downfall of the old colonial system, and the emancipation of the United States have enabled them to avail themselves of all the advantages of their situation, and to enter, with the spirit and energy inspired by freedom, on the career of improvement.

Nowhere, however, have the events of the last half century produced more interesting results than in Great Britain. We have not, indeed, been overrun by foreign armies, and we continue to enjoy that free system of government to which we are mainly indebted for our prosperity. But the struggle *pro aris et focis* in which we were so long engaged, and the changes in the industrial and political state of other nations, have had a powerful influence over our condition; and have furnished abundant materials for the investigations of practical and speculative politicians. The increase of the public debt and taxes; the restrictions on the importation of foreign corn; the suspension of cash payments at the Bank of England in 1797, and their resumption in 1819; the prodigious growth of the manufacturing population of Great Britain, and of the agricultural population of Ireland; the rapid increase of the poor rates since 1795; and a variety of other topics of nearly equal importance, have excited the anxious attention of the Legislature and the public. Few periods of equal duration have ever been so productive of great events; and the economists of the present day have to trace the causes and consequences of many highly interesting phenomena which had not exhibited themselves in the days of Smith.

Under these circumstances, it would have been singular, indeed, had not large additions been made to the science of wealth. Its paramount importance in a national point of view, and the new combinations of circumstances that have arisen, have roused the attention of the ablest men in England and generally throughout Europe, and stimulated them

to engage in its investigations. The result has been, that several leading principles, which had either escaped the attention of Smith, or were only incidentally alluded to by him, have been discovered and fully established; and that some of those to which he gave his sanction have been found to be partially, and a few wholly, unsound.

It is obvious, too, that many of those slowly progressive changes which, though but little noticed perhaps at their commencement, are always going on, and, in the end, deeply affect the condition, the relations, and the character of nations, cannot fail to have been accomplished in the half century that has passed away since Smith finished his great work. And hence it follows, independently altogether of extraordinary events, that many of the references made in it to facts and circumstances in the state and policy of this and other countries, must now be materially modified.

Still, however, the peculiar and distinguishing merits of the "Wealth of Nations" continue unimpaired. The principal object of Political Economists is to enlighten mankind, by showing how their wealth and well-being may be most effectually promoted. And this Adam Smith has done better than anyone else. He has shown that, speaking generally, the riches and comforts that are universally desired will be procured with the least difficulty and in the greatest abundance by allowing individuals to pursue their own interest in their own way, subject only to the condition of their carefully respecting the property and rights of others. Nothing of importance has been added to the masterly exposition he has given of the benefits arising from the freedom of industry. And even those more theoretical parts of his "Inquiry," where he is least sound as to principle, uniformly abound in the most sagacious remarks and disquisitions, and are illustrated with singular skill and felicity. It is, in truth, hardly possible to supersede such a work. In particular parts it might, no doubt, be improved; but as a whole it has so many excellences, and such a well-founded celebrity, that it will certainly continue, for a very long period, to be the fountain to which succeeding economists must resort to draw inspiration—

——— A quo, ceu fonte perenni,
Vatum Pieriis ora rigantur aquis.

Such being the case, it appeared to the Editor that he might advantageously employ himself in the publication of an edition of the "Wealth of Nations," that should embody such additional statements and observations as might make it better suited to the present state of the world, and to the progress made in political economy since it was published. What he has attempted in furtherance of this object may be thus briefly stated:—

I. The majority of those who refer to any work of authority or cele-

brity being anxious to learn something of the author, a sketch is given of the Life and Writings of Smith. This has been partly founded upon Dugald Stewart's Memoir. But we have collected, from other sources, various facts, some of which are alike curious and instructive; and have taken our own view of the inferences to be drawn from them.

II. Following the Life is an Introductory Discourse, in which an attempt is made to trace the rise and progress of the science of wealth down to the publication of the "Wealth of Nations;" to estimate the principal merits and defects of that work; and to point out the distinguishing steps in the subsequent advance of the science. This, which is now considerably enlarged, is believed to have been, when first published, the only sketch of its kind that had appeared in the English language. It seemed to be necessary, as well to enable the reader fairly to estimate the services rendered by Smith in this department of human knowledge, as to do justice to those who in less enlightened times laid the foundations of that liberal system of commercial policy, that has already done so much to promote the well-being of mankind; and to those who, at a later period, have assisted in bringing the science to the advanced state in which we now find it.

III. Numerous foot Notes are subjoined to the text. These are sometimes of a controversial character; but their principal purpose is to point out the more prominent changes that have occurred in the laws, institutions, and circumstances, referred to by the author. The Supplemental Notes or Dissertations are given together at the end of the volume. They have a twofold object; being partly intended to make the reader aware of the fallacy or insufficiency of the theories which Smith has sometimes adopted; and partly to exhibit a view of the principal discoveries and improvements made in economical science, and of the more important changes introduced into our commercial and financial legislation, since the close of the American war. They also embrace several additional speculations on subjects of general interest and importance.

Such are the objects which the Editor had in view in preparing this edition. To have executed it in a manner worthy the original work, would have required talents and acquirements to which he makes no pretensions. But if industry, long continued attention to the subject, and an anxious desire to acquit himself creditably of his task, can at all qualify for such a difficult undertaking, he is not without hopes that what he has done may be approved by the public.

The text has been carefully printed from the fourth edition, published in 1786, being the last that was revised by the author.

Dr. Smith having subjoined very few notes to his text, the words "Note by the Author" have been affixed to those that belong to him;

those contributed by the Editor being printed without any particular mark.

☞ The events that have occurred during the ten years since the Editor published his former edition of the Wealth of Nations, have thrown considerable light on several interesting questions. He has endeavoured to profit by this additional illumination; and, besides subjecting his previous contributions to a careful and unsparing revision, and endeavouring to supply their deficiencies, he has added some entirely new notes and dissertations. One of these contains an admirable letter of Smith to Dr. Cullen on university degrees. Hence, the Editor presumes to hope that, how deficient soever, this edition will, at least, be found to be materially improved; while, by printing it in a more condensed, though not less handsome form, the publishers are able to offer it for less than half the price of the preceding edition.

LONDON, May 1838.

WORKS BY J. R. M'CULLOCH, ESQ.

I.

A Descriptive and Statistical Account of the British Empire, exhibiting its Extent, Physical Capacities, Population, Industry, and Civil and Religious Institutions. Fourth and much improved edition. 2 vols. 8vo, London, 1854.

II.

A Dictionary, Geographical, Statistical, and Historical, of the various Countries, Places, and Principal Natural Objects in the World. Two thick and closely-printed vols., 8vo. Illustrated with Maps. New and improved edition. London, 1854.

III.

The Principles of Political Economy, with some Enquiries respecting their Application, and a Sketch of the Rise and Progress of the Science. Fourth edition. Edinburgh, 1849.

IV.

A Dictionary, Practical, Theoretical, and Historical, of Commerce and Commercial Navigation. A new and greatly improved edition, in one large volume, 8vo. Illustrated with Maps and Plans. London, 1859-60.

V.

A Treatise on the Principles and Practical Influence of Taxation and the Funding System. Third edition, revised, corrected, and improved. 8vo, Edinburgh, 1863.

VI.

Treatises and Essays on Money, Exchange, Interest, the Letting of Land, Absenteeism, the History of Commerce, Manufactures, etc. With accounts of the Lives and Writings of Quesnay, Adam Smith, and Ricardo. Second edition, enlarged and improved. 8vo, Edinburgh, 1859.

VII.

The Literature of Political Economy, a Classified Catalogue of Select Publications in the Different Departments of that Science, with Historical, Critical, and Biographical Notices. 1 vol. 8vo, London, 1845.

VIII.

A Treatise on the Succession to Property vacant by Death, including Enquiries into the Influences of Primogeniture, Entails, Compulsory Partition, Foundations, etc., over the Public Interests. 1 vol. 8vo, London, 1848.

IX.

A Treatise on the Circumstances which determine the Rate of Wages, and the Condition of the Labouring Classes. 1 vol. post 8vo, second edition. London, 1854.

ENGRAVED BY W.C. BELL FROM THE MEDALLION BY TASSIE

ADAM SMITH. LL.D.

SKETCH OF THE LIFE

AND

WRITINGS OF ADAM SMITH.

Adam Smith, author of the "Theory of Moral Sentiments," and of the "Wealth of Nations," was born at Kirkcaldy, on the 5th of June 1723. His father, who held the situation of comptroller of customs in that town, died a few months before his birth;[1] so that the charge of his early education devolved wholly on his mother, the daughter of Mr Douglas of Strathenry, in the county of Fife.

His constitution during infancy is said to have been extremely infirm and delicate, and required all the anxious attention of his mother, who treated him with the greatest indulgence. This, however, had no unfavourable influence over his temper or dispositions; and he repaid the fond solicitude of his parent by every attention that filial gratitude and affection could dictate, during the long period of sixty years.

When only three years of age, he was stolen by a party of gypsies from Strathenry, to which place he had been carried by his mother. Fortunately, however, the future reformer of the commercial policy of nations was speedily rescued from his kidnappers and restored to his afflicted parent.

He received the first rudiments of his education in the grammar school of Kirkcaldy. The weakness of his constitution prevented him from indulging in the amusements common to boys of his age. But Dugald Stewart states,[2] that he was even then distinguished by his passion for books, and by the extraordinary powers of his memory; that he was much beloved by his schoolfellows, many of whom subsequently attained to great eminence; and that he was thus early remarkable for those habits which remained with him through life, of speaking to himself when alone, and of absence in company.

He continued at Kirkcaldy until 1737, when he was sent to the University of Glasgow, where he remained for three years. He then entered Baliol College, Oxford, as an exhibitioner on Snell's foundation; and continued for seven years to prosecute his studies at that celebrated seminary.

[1] His father, Adam Smith, a native of Aberdeenshire, and a Writer to the Signet, was at one time attached to the office of the Secretary of State for Scotland. He was afterwards appointed Clerk to the Courts Martial in that part of the United Kingdom, a situation which he held along with the Comptrollership of the Customs at Kirkcaldy.

[2] In his Account of the Life and Writings of Smith. It is much to be regretted that the information given in this memoir with regard to the distinguishing peculiarities in the character and conduct of Smith, is extremely meagre and imperfect. Stewart sunk the man in the philosopher; and at this distance of time it is all but impossible to supply his deficiencies.

Mathematics and natural philosophy formed young Smith's favourite pursuits while at Glasgow. But, subsequently to his removal to Oxford, he seems to have principally devoted the time not consumed in the routine duty of the University to the study of the *belles lettres*, and of those moral and political sciences of which he was destined to become so great a master.[1]

Smith does not seem to have felt any very peculiar respect for his English *alma mater*. The severe remarks in the "Wealth of Nations" on the system of education followed in Oxford and Cambridge, have evidently been suggested by his own observation. He shows that it is reasonable to expect that the plan of appointing professors with handsome salaries, who are not permitted to receive fees from their pupils, should, in all ordinary cases, induce them either wholly to neglect the important duties of their office, or to discharge them in the most slovenly manner; and he refers to the example of Oxford, to prove the accuracy of this conclusion; "the greater part of the public professors of that seminary having, for these many years, given up altogether even the pretence of teaching."

While at Oxford, Smith frequently employed himself in translating, particularly from the French, in the view of improving his style; and he used often to express a favourable opinion of such exercises. But this was a species of employment he might have prosecuted with nearly equal advantage at any other place. No doubt, however, he must have reaped considerable advantage from his residence at Oxford, by its contributing to improve and perfect his acquaintance with the niceties of the English language, as well as by rendering him a greater proficient in classical learning, of which his knowledge was both extensive and accurate; but it is not, perhaps, very easy to discover what other obligations he could owe to it. What advantage could he derive in prosecuting his inquiries respecting the history of society, and into "those principles which ought to run through and be the foundation of the laws of all nations," from living among those who were satisfied with what had been known on these subjects two thousand years ago? and who compelled the noble and aspiring youth of the country committed to their charge, to draw the principal part of their information with respect to politics and philosophy from the politics and the logic of Aristotle?[2]

Something had occurred, while Smith was at Oxford, to excite the suspicions of his superiors with respect to the nature of his private pursuits; and the heads of his college, having entered his apartment without his being aware, unluckily found him engaged reading Hume's "Treatise of Human Nature." The objectionable work was, of course, seized; the young philosopher being at the same time severely reprimanded.[3]

[1] Stewart has justly applied to Smith what Lord Bacon said of Plato: "Illum, licet ad rempublicam non accessisset, tamen naturâ et inclinatione omnino ad res civiles propensum, vires eo præcipue intendisse; neque de Philosophia Naturali admodum sollicitum esse; nisi quatenus ad Philosophi nomen et celebritatem tuendum, et ad majestatem quandam moralibus et civilibus doctrinis addendam et aspergendam sufficeret."

[2] It is perhaps unnecessary to observe, that these remarks apply only to the state of education at Oxford at the period when it was attended by Smith. Latterly it has been very much improved; though the constitution of the University opposes formidable obstacles to the introduction of the best system.

[3] Stewart has not mentioned this circumstance, but it rests on the best authority.

He continued, subsequently to his return from Oxford in 1747, for nearly two years at Kirkcaldy, with his mother. He had been sent to Oxford that he might qualify himself for entering the Church of England. The ecclesiastical profession was not, however, agreeable to his taste; and, in opposition to the advice of his friends, he returned to Scotland, resolved to devote himself exclusively to literary pursuits.

In the latter part of the year 1748, Smith fixed his residence in Edinburgh, where he was prevailed upon, by Lord Kames[1] and some of his other friends, to deliver, during that and the two following seasons, courses of lectures on rhetoric and *belles lettres*. These were well attended by an audience composed chiefly of students of law and theology. Among his pupils he had the honour to reckon Mr Wedderburn, afterwards Lord Loughborough; Mr William Johnstone, afterwards Sir William Pulteney Johnstone, Bart.;[2] Dr Blair, etc.; with all of whom he subsequently continued on the most intimate terms. It was at this period also that he laid the foundation of that friendship with David Hume, which lasted, without the slightest interruption, till the death of the latter.

No part of these lectures has been published; but it would appear from the statement of Blair, who commenced his course of lectures on rhetoric and *belles lettres* in 1758, ten years after Smith's first course, that they had been reduced into a systematic shape. In a note to his eighteenth lecture, Blair mentions that he had borrowed several of the ideas respecting the general characters of style, particularly the plain and simple, and the characters of those English authors who are classed under them, from a manuscript treatise of Smith on Rhetoric, of which the author had shown him a part.

It may be worthy of notice that this was the first course of lectures on polite literature given in Scotland. It was followed by lectures on the same subject by Dr Watson, author of the history of Philip II. And a taste for such prelections being introduced, a professorship of Rhetoric was established in the University of Edinburgh in 1760, which was soon after endowed by the Crown with a salary of L.70 a-year, Dr Blair being the first professor. We may further add, in illustration of the progress of this interesting study, that Lord Kames' Elements of Criticism was originally published in 1762; Dr Campbell's excellent work on the Philosophy of Rhetoric in 1776; and Dr Blair's useful and admirable lectures in 1783. Such were the followers of Smith in this peculiar department of literature; and it is but seldom that an impulse given by one individual is so vigorously and successfully prosecuted.

Smith's increasing celebrity, and the strong recommendations of Lord Kames, and other distinguished persons, procured for him, in 1751, the

[1] It should be mentioned, to the honour of Kames, that he was most anxious to promote the views and interests of youthful candidates for literary distinction, and that his patronage was of the greatest service, not to Smith only, but to other distinguished individuals.

[2] This gentleman, a younger son of Sir James Johnstone, Bart. of Westerhall, assumed the name of Pulteney, on his marrying the Countess of Bath, the heiress to the property and honours of the famous parliamentary leader, Pulteney, first earl of Bath. Sir W. P. Johnstone founded, in 1790, the chair of agriculture in the University of Edinburgh, and endowed it with a salary of L.50 a year.

honour of being elected Professor of Logic in the University of Glasgow; and in the following year he was elevated to the chair of Moral Philosophy in the same University, vacant by the death of Mr Craigie, the immediate successor of the celebrated Dr Hutcheson, under whom Smith had formerly studied, and for whom he justly entertained the highest regard. Of the offices to which he might have been appointed, this was probably the most suitable to his peculiar talents, and afforded the best opportunity for employing them to the greatest advantage; and it is not, therefore, surprising that he considered the thirteen years during which he continued in Glasgow as the happiest portion of his life. At the same time, it seems reasonable to conclude that his professional pursuits must have materially contributed to mature his speculations in morals and politics, and, consequently, to determine him to undertake the great works which have immortalised his name.

Mr Millar, author of the "Historical View of the English Government,"[1] and Professor of Law in the University of Glasgow, had the advantage of hearing Smith's course of lectures on Moral Philosophy, of which he has given the following account:—

"His course of lectures was divided into four parts. The first contained Natural Theology; in which he considered the proofs of the being and attributes of God, and those principles of the human mind upon which religion is founded. The second comprehended Ethics, strictly so called, and consisted chiefly of the doctrines which he afterwards published in his Theory of Moral Sentiments. In the third part, he treated at more length of that branch of morality which relates to justice, and which, being susceptible of precise and accurate rules, is for that reason capable of a full and particular explanation.

"Upon this subject he followed the plan that seems to be suggested by Montesquieu; endeavouring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages, and to point out the effects of those arts which contribute to subsistence, and to the accumulation of property, in producing correspondent improvements or alterations in law and government. This important branch of his labours he also intended to give to the public; but his intention, which is mentioned in the conclusion of the 'Theory of Moral Sentiments,' he did not live to fulfil.

"In the last part of his lectures, he examined those political regulations which are founded, not upon the principle of *justice*, but that of *expediency*, and which are calculated to increase the riches, the power, and the prosperity of a state. Under this view, he considered the political institutions relating to commerce, to finances, to ecclesiastical and military establishments. What he delivered on these subjects contained the substance of the work he afterwards published under the title of 'An Inquiry into the Nature and Causes of the Wealth of Nations.'

"There was no situation in which the abilities of Dr Smith appeared to greater advantage than as a professor. In delivering his lectures, he trusted almost entirely to extemporary elocution. His manner, though not graceful, was plain and unaffected; and, as he seemed to be always

[1] A work overrated when it first appeared, and now too much neglected.

interested in the subject, he never failed to interest his hearers. Each discourse consisted commonly of several distinct propositions, which he successively endeavoured to prove and illustrate. These propositions, when announced in general terms, had, from their extent, not unfrequently something of the air of a paradox. In his attempts to explain them, he often appeared, at first, not to be sufficiently possessed of the subject, and spoke with some hesitation. As he advanced, however, the matter seemed to crowd upon him, his manner became warm and animated, and his expression easy and fluent. In points susceptible of controversy, you could easily discern, that he secretly conceived an opposition to his opinions, and that he was led upon this account to support them with greater energy and vehemence. By the fulness and variety of his illustrations, the subject gradually swelled in his hands, and acquired a dimension which, without a tedious repetition of the same views, was calculated to seize the attention of his audience, and to afford them pleasure, as well as instruction, in following the same object through all the diversity of shades and aspects in which it was presented, and afterwards in tracing it backwards to that original proposition or general truth from which this beautiful train of speculation had proceeded.

"His reputation as a professor was accordingly raised very high, and a multitude of students from a great distance resorted to the University, merely upon his account. Those branches of science which he taught became fashionable at this place, and his opinions were the chief topics of discussion in clubs and literary societies. Even the small peculiarities in his pronunciation or manner of speaking became frequently the objects of imitation."

Smith made his debût as an author by contributing, anonymously, two articles to the "Edinburgh Review," commenced in 1755, of which two numbers only were published. The first of these articles is a review of Dr Johnson's Dictionary, and the second a letter to the editor, containing some observations on the literature of the different European countries. The latter is worth notice as evincing the attention paid by Smith to Continental literature, at a period when it was comparatively neglected in this country.

In 1759 Dr Smith published his "Theory of Moral Sentiments." He had been engaged for a very considerable period in the composition of this work, which is finished throughout with the greatest care. It is bottomed on the principle that *sympathy* forms the real foundation of morals; that we do not immediately approve or disapprove of any given action, when we have become acquainted with the intention of the agent and the consequences of what he has done, but that we previously enter, by means of that sympathetic affection which is natural to us, into the feelings of the agent and those to whom the action relates; that, having considered all the motives and passions by which the agent was actuated, we pronounce, with respect to the *propriety* or *impropriety* of the action, according as we sympathise or not with him; while we pronounce, with respect to the *merit* or *demerit* of the action, according as we sympathise with the gratitude or resentment of those who were its objects, and that we necessarily judge of our own conduct by comparing it with such maxims and rules as

we have deduced from observations previously made on the conduct of others.

"Whatever judgment," says Smith, "we form with respect to our own motives and actions, must always bear some secret reference either to what are, or to what, upon a certain condition, would be, or to what we imagine ought to be, the judgment of others. We endeavour to examine our own conduct as we imagine any other fair and impartial spectator would examine it. If, upon placing ourselves in his situation, we thoroughly enter into all the passions and motives which influenced it, we approve of it by sympathy with the approbation of this supposed equitable judge. If otherwise, we enter into his disapprobation and condemn it."[1]

Several, and, as it is now generally admitted, some unanswerable, objections have been urged against this very ingenious theory.[2] But whatever opinion may be entertained with regard to the truth of the leading principle which it involves, the "Theory of Moral Sentiments" is incomparably the best, or rather it is the only great ethical work in the English language. It everywhere evinces great ingenuity, subtilty, and depth of thought. These, however, are the least of its excellences. Its conclusions are all practical, just, and true. The different passions, affections, and characters of the different classes of men, are delineated with singular fidelity. What is proper and praiseworthy in them, is carefully discriminated from what is improper and blameworthy. The disturbing influences of fortune and of custom over our estimates of merit and demerit, are skilfully appreciated; and the soundest maxims for the regulation of our conduct under every variety of circumstances, are everywhere met with, and set in so clear a light that they are impressed even on the most careless readers. The style unaffected, copious, and, though sometimes redundant, always eloquent, is worthy of the subject. The richness of its colouring relieves the dryness of some of the more abstract discussions, while it gives additional force and embellishment to the powerful recommendations of generous, upright, and virtuous conduct, which are profusely scattered throughout the work, and are obviously the author's favourite topics.

The accounts which Smith has given in his last volume of the principal systems of moral philosophy, are infinitely superior to anything of the kind that had previously appeared, and are said by an excellent judge, M. Cousin,[3] to be imbued with the true spirit of philosophical history. The account of the Stoical Philosophy is perhaps worthy of special notice. It is one of the most beautiful expositions, of a difficult subject, to be found in the wide range of English literature, and is as correct in its statements as it is felicitous in its language.

The sixth edition of the "Theory of Moral Sentiments," published in 1790, was carefully revised by the author, when suffering from the mortal disease to which he soon after fell a victim. The principal additions which he then made to the work, are specified in the preface. They are

[1] "Theory of Moral Sentiments," part iii. chap. 1.

[2] "Brown's Lectures," iv. p. 77-116, edit. 1824; "Stewart's Active and Moral Powers," i. p. 308-316, and note C; "Mackintosh on the Progress of Ethical Philosophy, by Whewell, p. 232-242; "Cousin Cours de l'Histoire de la Philosophie Moderne," iv. p. 192-278, ed. 1846; "Dictionnaire des Sciences Philosophiques," vi. p. 661, art. Smith, etc.

[3] Cours de l'Histoire de la Philosophie Moderne, iv. 249, ed. 1846.

all highly interesting, and written with peculiar earnestness and eloquence.

It may be worth while, perhaps, to observe that Dr. Gillies has affirmed, in a note to his translation of Aristotle's ethics and politics,[1] that Smith was indebted for the principle of his Theory to a statement of Polybius, in his General History (Book vi. ex. 1.) But though the passage referred to be a remarkable one,[2] it is very doubtful whether it ever attracted the notice of Smith; and though it had, there is an immeasurable difference between a brief statement, or hint like that in question, and the well digested system expounded in the "Theory of Moral Sentiments." The principle of sympathy had, indeed, been always well known, not to Polybius only, but to everybody. It was remarked nearly two thousand years ago :—

> "Ut ridentibus arrident, ita flentibus adflent,
> Humani vultus: Si vis me flere, dolendum est,
> Primum ipsi tibi; tunc tua me infortunia lædent."
> HOR. Ars Poetica, l. 101.

Smith's peculiar merit does not lie in his having made sympathy the keystone of his system, for that is its cardinal defect, but it lies, as Stewart has justly stated, in his having availed himself of that principle, to give a systematical view of all the principal doctrines and discussions embraced in the science of ethics, and in the beauty of his illustrations. And considered in this point of view, the "Theory of Moral Sentiments" is a highly original work.

Having published the substance of so important a part of his lectures, Smith was enabled to make considerable retrenchments from the ethical part of his course, and to give a proportional extension to the disquisitions on Jurisprudence and Political Economy. He had long been in the habit of embodying the results of his studies and investigations

[1] Third Edition, i. 302.

[2] We beg to subjoin the statement referred to as given by Hampton:—

"From the union of the two sexes, to which all are naturally inclined, children are born. When any of these, therefore, being arrived at perfect age, instead of yielding suitable returns of gratitude and assistance to those by whom they have been bred, on the contrary, attempt to injure them by words or actions, it is manifest that those who behold the wrong, after having also seen the sufferings and the anxious cares that were sustained by the parents in the nourishment and education of their children, must be greatly offended and displeased at such proceedings. For man, who among all the various kinds of animals, is alone endowed with the faculty of reason, cannot, like the rest, pass over such actions with indifference, but will make reflection on what he sees; and comparing likewise the future with the present, will not fail to express his indignation at this injurious treatment, to which, as he foresees, he may also at some time be exposed. Then, again, when any one who has been succoured by another in the time of danger, instead of showing the like kindness to this benefactor, endeavours at any time to destroy or hurt him; it is certain that all men must be shocked by such ingratitude through sympathy with the resentment of their neighbour, and from an apprehension also that the case may be their own. And from hence arises in the mind of every man a certain *notion* of the nature and force of duty, in which consists both the beginning and the end of justice. In like manner, the man, who in defence of others, is seen to throw himself the foremost into every danger, and even to sustain the fury of the fiercest animals, never fails to obtain the loudest acclamations of applause and veneration from all the multitude, while he who shows a different conduct, is pursued with censure and reproach. And thus it is that the people begin to discern the nature of things honourable and base, and in what consists the difference between them; and to perceive that the former, on account of the advantage that attends them, are fit to be admired and imitated, and the latter to be detested and avoided."—(*General History*, Book vi. *ex.* 1.)

with respect to both these departments of political science, but particularly the latter, in his lectures. And it appears, from a statement which he drew up in 1755, to vindicate his claims to certain political and literary opinions, that he had been in the habit of teaching from the time he obtained a chair in the University of Glasgow, and even when at Edinburgh, the same enlarged and liberal doctrines with respect to the freedom of industry, and the injurious influence of restraints and regulations, which he afterwards so fully established in the "Wealth of Nations." His residence in a large commercial and manufacturing city, like Glasgow, gave him a considerable advantage in the prosecution of his favourite studies, by affording means of easily obtaining that correct practical information on many points, which cannot be found in books, and by enabling him to compare his theoretical doctrines with the experimental conclusions of his mercantile friends. Notwithstanding the alleged disinclination of men of business to listen to speculative opinions, and the opposition of his leading principles to the old maxims of trade, he was able, before leaving the University, to rank some very eminent merchants among his proselytes.

The publication of the "Theory of Moral Sentiments" brought a vast accession of reputation to Smith; and placed him, in the estimation of all who were qualified to form an opinion on such a subject, in the first rank of moralists, and of able and eloquent writers.

In 1762 the Senatus Academicus of the University of Glasgow unanimously conferred on him the honorary degree of Doctor of Laws;[1] in testimony, as it is expressed in the minutes of the meeting, of their respect for his universally acknowledged talents, and of the advantage that had resulted to the University from the ability with which he had for many years expounded the principles of jurisprudence. But the most important effect of his increasing celebrity, in so far at least as respected himself, was his receiving in 1763 an invitation from Mr. Charles Townshend, who had married the Countess of Dalkeith,[2] to attend her ladyship's son, the young Duke of Buccleuch, on his travels; and the advantageous terms that were offered, combined with the strong desire he entertained of visiting the continent, induced him to accept the offer, and to resign his chair at Glasgow. "With the connection which he was led to form in consequence of this change in his situation," says Stewart, "he had reason to be satisfied in an uncommon degree, and he always spoke of it with pleasure and gratitude. To the public it was not perhaps a change equally fortunate; as it interrupted that studious leisure for which nature seems to have destined him, and in which alone he could have hoped to accomplish those literary projects which had flattered the ambition of his youthful genius."

[1] Smith did not assume this distinction in private life, but contented himself with printing it on the titles of his works. He had, in truth, little or no respect for academical honours which he has characterized in very depreciatory terms. See his letter on the value of University degrees, *post*, Note, xx.

[2] Her Ladyship, who was one of the daughters and co-heiresses of the famous John Duke of Argyle, married James Earl of Dalkeith, eldest son of the Duke of Buccleuch. The Earl having predeceased his father, his widow married Mr. Townshend, and her son by his Lordship, the pupil of Smith, became Duke on the death of his grandfather. And it is but fair to say that the pupil was worthy of the master, few noblemen having been so much distinguished for public spirit and private worth.—*Douglas' Peerage of Scotland*, Wood's edition, i. 258.

Smith set out for France in company with his noble pupil in March 1764. They remained only a few days at Paris on their first visit to that capital, but proceeded to Toulouse, where they continued for about eighteen months. This being a considerable city, and at that time the seat of a parliament, the society in it may be presumed to have been a good deal superior to that of most country towns; and Smith no doubt availed himself of it, and of the leisure he then enjoyed, to perfect and extend his knowledge of the literature, internal policy, and state of France. He has told us that he was not disposed to place much confidence in the facts and reasonings of political arithmeticians; and it is evident, from his rarely making statements on the authority of others, and from his occasionally referring to circumstances connected with Toulouse, Geneva, and other places which he visited, that he was chiefly indebted to his own observation and inquiries for his extensive information in regard to the institutions, habits, and condition of the French people.[1]

After leaving Toulouse, Smith and his noble pupil proceeded to Geneva, where they resided two months. They returned to Paris at Christmas 1765, where they remained for nearly twelve months. During the whole of this period, Smith lived on an intimate footing with the best society in that city, to which his friendship with Hume greatly facilitated his introduction.[2] Turgot, afterwards Comptroller-General of Finance, D'Alembert, Helvetius, Marmontel, the Abbé Morellet,[3] the Duke of la Rochefoucault, Count Sarsfield,[4] Buffon, the

[1] It has always appeared to us as a singular, and not easily explained fact, that notwithstanding their familiar acquaintance with the state of France, we do not find either in Hume or Smith, any anticipation, how faint soever, of the tremendous convulsion of which that country was, at no distant period, the theatre. And yet it had given numerous, and those not obscure, indications of its approach. It is curious, that what had thus escaped the observation of the two most eminent philosophers of the age, should have been clearly discerned and pointed out by Smollett.—See his Travels, ii. p. 197, ed. 1766.

[2] Hume was in Paris when Smith arrived there, but he left it soon after, in company with Rousseau, whose genius he admired while he felt for his unfortunate situation. Having brought his *protégé* to England, Hume succeeded in procuring the grant of a pension for his use. But, whatever might be his other qualities, Rousseau had neither gratitude, nor veracity, nor common sense; and he soon after quarrelled with and abused his benefactor. On the first rumour of this explosion reaching Paris, Hume's friends in that city were all against his taking any public notice of the circumstance; and Smith wrote him a letter in which he strongly expressed his concurrence in that opinion. But on becoming better acquainted with the facts, Smith and his Parisian friends came to a different conclusion, and approved of the publication issued by Hume.—See a long account of this famous quarrel in *Burton's Life of Hume*, ii. p. 303–381.

[3] The paragraph which follows is extracted from the "Mémoires" of the Abbé Morellet, published in 1821. "J'avais connu Smith dans un voyage qu'il avait fait en France, vers 1762; il parlait fort mal notre langue; mais sa *Théorie des Sentimens Moraux*, publiée en 1759, m'avait donné une grande idée de sa sagacité et de sa profondeur. Et véritablement je le regarde encore aujourd'hui comme un des hommes qui a fait les observations et les analyses les plus complètes dans toutes les questions qu'il a traitées. M. Turgot, qui aimait ainsi que moi la métaphysique, estimait beaucoup son talent. Nous le vîmes plusieurs fois; il fut présenté chez Helvétius; nous parlâmes théorie commerciale, banque, credit public, et de plusieurs points du grand ouvrage qu'il méditait. Il me fit présent d'un fort joli portefeuille anglais de poche, qui était à son usage, et dont je me suis servi vingt ans."—Tome i. p. 237.

[4] Smith highly esteemed this gentleman. He describes him as "the best and most agreeable friend I had in France."—*Letter to Hume*, June 7, 1767.

Baron D'Holbach, Madame Riccoboni, Mademoiselle de L'Espinasse, etc., were of the number of his acquaintances; and some of them he continued ever after to reckon among his friends. He was also on familiar terms with Quesnay, the author of the economical theory ; and there is every reason to think that he derived considerable advantage from his intercourse with that able and excellent person, than whom none was better qualified to strike out original and ingenious views. So sensible, indeed, was Smith of his merits as a man and a philosopher, that he intended, had he not been prevented by Quesnay's death, to have left a lasting testimony of the high place which he held in his estimation, by dedicating to him the "Wealth of Nations."

In October 1766, the Duke of Buccleuch, accompanied by Smith, returned to London. The latter soon after removed to his old residence at Kirkcaldy; where he remained, with little interruption, for about ten years, habitually occupied in study, and in the elaboration of his great work. This, however, was not a task but a labour of love, *labor ipse voluptas.* In a letter to Hume, written in 1767, he says, "My business here is study, in which I have been deeply engaged for about a month past. My amusements are long and solitary walks by the seaside. You may judge how I spend my time. I feel myself, however, extremely happy, comfortable, and contented. I never was, perhaps, more so in my life. You will give me great comfort by writing to me now and then, and letting me know what is passing among my friends in London." And so, with a few short interludes, he went on, till in 1776, an æra that will be for ever memorable in the history of political philosophy, the "Inquiry into the Nature and Causes of the Wealth of Nations" was given to the world. We shall afterwards examine most part of the leading theories and conclusions advanced in this famous work.[1] At present, it is enough to observe, that despite its imperfections in a scientific point of view, the objections that have been made, and not without justice, to its arrangement, and the many changes that have taken place since its publication, in the policy and condition of nations, its celebrity is in no degree diminished. It is not in truth a book for one country or one age, but for all countries and all ages. And will always be regarded as a noble monument of profound thinking, various learning, and persevering research, applied to purposes of the highest interest and importance.

Little needs be said in regard to the originality of the theories advanced by Smith. It will be shown that some of the most important doctrines embodied in the "Wealth of Nations," had been distinctly announced, and that traces, more or less faint, of the remainder may be found in various works published previously to its appearance.[2] But this has little or nothing to do with the peculiar merits of Smith ; and in no respect invalidates his claim to be considered as the real founder of the science of political economy. Some of its *disjecta membra* had, indeed, been discovered, with indications of the others. But their importance, whether in a practical or scientific point of view, and their dependence, were all but wholly unknown. They formed an undigested

[1] For a general view of its principal merits and defects see the following Introductory Discourse.

[2] See Discourse referred to.

mass, without order or any sort of rational connection; what was sound and true being frequently (as in the theory of the economists), linked to what was false and contradictory. Smith was the enchanter who educed order out of this chaos—

> "E tenebris tantis tam clarum extollere lumen
> Qui primus potuisti, inlustrans commoda vitæ."

And in such complicated and difficult subjects, a higher degree of merit belongs to the party who first establishes the truth of a new doctrine, and traces its consequences and limitations, than to him who may previously have stumbled upon it by accident, or who had dismissed it as if it were valueless. He did not, like the greater number of his predecessors, build his conclusions on metaphysical abstractions, or on the partial and distorted statements of interested or prejudiced parties, but on a careful review and analysis of the more prominent circumstances connected with the progress of society from antiquity down to his own times. And none will be surprised that, in taking, for the first time, so wide a survey, he sometimes overlooked a principle, or was deceived in regard to the influence or the operation of others, and that, in consequence, some parts of his book are either defective or erroneous. This, however, is but rarely the case. He had none of that dogmatical impetuosity which, while it satisfies itself with hasty and superficial investigations, pushes with unhesitating confidence every theory, however narrow or ill-founded, to an extreme. On the contrary, he was slow and circumspect. And without seeking to establish new doctrines, was influenced by a sincere desire to trace and discover the natural and sound principles of public economy, however obscured by sophistry or encumbered by error, and to exhibit what he believed would be found to be their practical working, if allowed to come into free operation. In pursuing his laborious inquiries, his caution, and his unequalled sagacity never forsook him. And the real wonder is, that a work involving so many abstruse researches and conflicting considerations as that of Smith, should have so few blemishes, and be so nearly perfect as we find it to be. It contains a greater number of useful and readily available truths than are to be found in any other publication; and it pointed out and smoothed the path, by following which subsequent inquirers have been able to perfect much which its author left incomplete, to rectify the mistakes into which he fell, and to make many new and important discoveries. Whether, indeed, we refer to the soundness of its leading doctrines, the liberality and universal applicability of its practical conclusions, or the powerful and beneficial influence it has had on the progress of economical science, and on the policy and conduct of nations, the "Wealth of Nations" must be placed in the foremost rank of those works which have helped to liberalise, enlighten, and enrich mankind.[1]

[1] Sir James Mackintosh has made the following just and discriminating remarks on the great works of Grotius, Locke, Montesquieu, and Smith: "The 'Treatise on the Law of War and Peace,' the 'Essay on the Human Understanding,' the 'Spirit of Laws,' and the 'Inquiry into the Causes of the Wealth of Nations,' are the works which have most directly influenced the general opinion of Europe during the two last

By showing that the real and lasting interests of nations are always best promoted by cultivating a fair and friendly intercourse with their neighbours, and that the jealousies and fears that were formerly entertained of the advance of others in wealth and civilization, are as unfounded as they are malevolent and base, the "Wealth of Nations" has contributed, in no ordinary degree, to weaken national antipathies, and to lessen the chances of war. Its influence in this respect has been well illustrated by Mr. Buckle, who does not hesitate to affirm that "Adam Smith contributed more by the publication of this single work towards the happiness of man, than has been effected by the united abilities of all the statesmen and legislators of whom history has preserved an authentic account." [1]

Hume, who was then labouring under his last illness, addressed a congratulatory letter to Smith, on the publication of the "Wealth of Nations." And it is a curious fact, that he pointed out in that letter what is the principal defect of the work, viz., the erroneous view which it gives of the nature and causes of rent. He says, "I cannot think that the rent of farms makes any part of the price of produce." It is not known whether Hume had directly arrived at this conclusion, or had derived it at second hand, from the writings or conversation of

centuries. They are also the most conspicuous landmarks in the progress of the sciences to which they relate. It is remarkable that the defects of all these great works are very similar. The leading notions of none of them can, in the strictest sense, be said to be original, though Locke and Smith in that respect surpass their illustrious rivals. All of them employ great care in ascertaining those laws which are immediately deduced from experience, or directly applicable to practice, but apply metaphysical and abstract principles with considerable negligence. None pursues the order of science, beginning with first elements, and advancing to more and more complicated conclusions; though Locke is, perhaps, less defective in method than the rest. All admit digressions which, though often intrinsically excellent, distract attention, and break the chain of thought. Not one of them is happy in the choice, or constant in the use of technical terms; and in none do we find much of that rigorous precision which is the first beauty of philosophical language. Grotius and Montesquieu were imitators of Tacitus,—the first with more gravity, the second with more vivacity; but both were tempted to forsake the simple diction of science in pursuit of the poignant brevity which that great historian has carried to a vicious excess. Locke and Smith chose an easy, clear, and free, but somewhat loose and verbose, style,—more concise in Locke, more elegant in Smith,—in both exempt from pedantry, but not void of ambiguity and repetition. Perhaps all these apparent defects contributed, in some degree, to the specific usefulness of these great works; and, by rendering their contents more accessible and acceptable to the majority of readers, have more completely blended their principles with the common opinions of mankind."—*Article on Metaphysical, Ethical, and Political Science, in Edinburgh Review*, xxxvi. p. 244.

[1] History of Civilization, vol. i., p. 197, 2nd ed. The following characteristic eulogy of Smith proceeds from a very high quarter, but one whence, perhaps, it would hardly be expected. "By the bye, the excise instructions you mentioned were not in the bundle, but 'tis no matter. Marshall, in his Yorkshire, and particularly that extraordinary man Smith, in his Wealth of Nations, find my leisure employment enough. I could not have given any mere man credit for half the intelligence Mr. Smith discovers in his book. I would covet much to have his ideas respecting the present state of some quarters of the world that are, or have been, the scenes of considerable revolutions since his book was written." (Letter of Robert Burns to Mr. Graham, of Fintry, 13th May 1789, in the Supplement to the 4th vol. (p. 329) of Chambers' Life of Burns.)

Dr. Anderson,[1] by whom it had been already established. But it is singular, seeing that his attention had been directed to the subject by one he so greatly esteemed, that Smith did not submit his statements in regard to rent to a more searching and careful analysis. Had he done this, he would most probably have adopted the views of Anderson and Hume and materially improved his work.[2]

Smith survived the publication of the "Wealth of Nations" fifteen years. He had the satisfaction to see it translated into all the languages of Europe; to hear his opinions quoted in the House of Commons; to be consulted by the minister; and to observe that the principles he had expounded were beginning to produce a material change in the public opinion, and in the councils of this and other countries. And he must have enjoyed the full conviction that the progress of events would ensure their ultimate triumph, by showing that they were productive of signal advantage, not only to the mass of mankind, but to the inhabitants of every country which should have good sense enough to adopt them.

Hume died soon after the "Wealth of Nations" made its appearance. Smith, with whom he had lived on the most intimate terms, was most assiduous in his attentions to his illustrious friend during his illness; and gave an interesting account of the circumstances connected with his death, and a sketch of his character, in a letter addressed to Mr. Strahan of London, which was soon after published as a supplement to Hume's autobiography. In it he says that he considered that his deceased friend "had approached as nearly to the idea of a perfectly wise and virtuous man, as, perhaps, the nature of human frailty will permit." This unqualified eulogium having given offence to many who dissented from Hume's opinions in regard to religion, was much found fault with. Dr. Horne, Bishop of Norwich, the most distinguished of those by whom it was censured, attacked Smith, in an anonymous pamphlet, with considerable asperity; and unwarrantably ascribed to him, for he had no sure grounds to go upon, the same sceptical tenets that had been entertained by Hume.[3] But he took no notice of this effusion, and wisely declined entering upon a controversy which could have had no useful result.[4]

[1] See a notice of Anderson and of his exposition of the Theory of Rent, in the note on Rent, *post.*

[2] In the copy of the letter now referred to, given by Stewart in his "Life of Smith," the important paragraph relating to rent is omitted. Another paragraph is also omitted, in which Hume expressed his belief that the statement in regard to the seignorage charged on coins in France was not well founded. And in that case too he was quite right.—See *post*, p. 21.

[3] Had the Bishop looked ever so cursorily into the "Theory of Moral Sentiments," he would have seen that there was a considerable difference between Smith's theological opinions and those of Hume.

[4] It has been stated, in an article in the Quarterly Review, written by Sir Walter Scott, and in the Edinburgh Review (vol. lxxiii. p. 51), that having met in Glasgow, Dr. Johnson attacked Smith in the most outrageous manner for having written this notice of Hume, and that Smith retorted in terms no less rude and offensive. But though apparently well vouched, it is certain that no such unphilosophical *rencontre* did, or in fact could take place; and for this plain reason, that Johnson visited Glasgow in 1773, and that Hume did not die till 1776. Johnson and Smith did meet in London, and did not, to use Johnson's phrase, "take to each other;" but there is not a vestige of ground for supposing that any scene similar to that referred to above ever took place between them.—See further Boswell's *Life of Johnson*, by Croker, one vol. 8vo. p. 393, etc.

Smith resided principally in London during the two years immediately subsequent to the publication of the "Wealth of Nations," enjoying the society of some of the most distinguished persons in the metropolis. In his conversation, though never in his writings, his judgments of men and things were often precipitate, dogmatical, and erroneous. But he was always ready, on being better informed, to correct and amend his inconsiderate decisions.[1] And his friends, while they not unfrequently dissented from his opinions, fully appreciated his straightforwardness and want of pretension, the purity of his taste, and his intellectual ability.

In 1778 he was appointed, through the spontaneous application of his old pupil and friend, the Duke of Buccleuch, a commissioner of customs for Scotland.[2] In consequence, he removed to Edinburgh, where he continued afterwards to reside,[3] possessed of an income more than equal to his wants, and in the society of his most esteemed friends. He was accompanied to his new residence by his mother, then in extreme old age, and by his cousin, Miss Douglas, the latter superintending the domestic arrangements and economy of his family.

But, though highly creditable to the nobleman by whose intervention it was procured, his appointment to the customs[4] was little in harmony with the tastes of Smith, while it seriously interrupted or terminated those pursuits in which he might have continued to render invaluable services. The philosopher who had produced a work in which the true sources of national wealth and prosperity were, for the first time, fully explored and laid open, deserved a different if not a higher reward. Thousands of persons could have performed the duties of a commissioner of the customs quite as well as Smith, or perhaps better; but there was not one, besides himself, who could give that "account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society,"[5] which it was his intention to give. And this intention would most probably have been fulfilled, had not the

[1] Robertson calls them "prompt and vigorous."—See Gibbon's *Miscellaneous Works*, ii. 255, 8vo. ed.

[2] On receiving this appointment, Smith expressed his wish to resign the annuity of 300*l.* a year which had been settled upon him by the Duke's trustees at the time when he resigned his professorship to accompany his Grace on his travels. But it is hardly necessary to add that this offer was at once declined, and that Smith continued to enjoy the annuity till his death.—We are indebted for this fact, and for others, to the notice of Smith in Kay's Collection of Portraits, edited by Mr. James Paterson. The work is carefully compiled, and contains authentic information not to be elsewhere met with.

[3] In Panmure House, Canongate.

[4] Lord Brougham, in his Life of Smith, is extremely indignant at this proceeding, which he seems to regard in nearly the same light as the making of Burns an exciseman, at a salary of 70*l.* a year! But however unsuitable to his tastes and talents, it is absurd to compare his recognition of Smith's services with the mean occupation and beggarly pittance awarded to Burns. The learned Lord says that such a thing as Smith's appointment could not happen again; but this is by no means clear, at least, if he mean that nothing so paltry will be again offered to any distinguished individual. When he censured Lord North's government for having made Smith a commissioner of customs, his Lordship might have recollected that he had himself been a member of a government which took no notice of Malthus, and rewarded the lengthened and faithful services, the various learning, and splendid talents of Mackintosh, by making him an Indian commissioner.

[5] See the concluding paragraph of the "Theory of Moral Sentiments."

well-earned bounty of the public been clogged by the performance of petty routine duties which engrossed the greater part of his time, and left him little or no leisure for study.

Smith paid several visits to London after his appointment to the customs. And we are told by Mr Paterson that on the last of these occasions he dined at Wimbledon with Mr Dundas, afterwards Lord Melville, and that Mr Pitt, Lord Grenville, and Mr Addington were of the party. Smith happening to come late, the company had already sat down to dinner. On his entering the room, they stood up; and when he begged of them to be seated, they answered, "No, we must stand till you are seated, for we are your scholars!" This was a flattering compliment; and in so far true, that the distinguished guests, Mr Pitt and Lord Grenville, were really what they professed to be, pupils of Smith.

We may, perhaps, be permitted farther to observe, that in the matter now referred to, or in his general, though not very intimate acquaintance with economical subjects, Mr Pitt had a material advantage over his great rival, Mr Fox. The latter admitted that he had never read the "Wealth of Nations," and that "there was something in those subjects which passed his comprehension."[1] But, however well-founded it might be, no parliamentary leader would now venture to make such a confession. To his ignorance of the sound principles of national intercourse, we may, perhaps, mainly ascribe the determined opposition made by Fox to Pitt's proposals for modifying and in part rescinding the restrictions, which a jealous and short-sighted policy had imposed on the trade with Ireland, and to the comparatively liberal commercial treaty negotiated with France in 1786; but there can be no doubt that party considerations had also a good deal to do with these discreditable displays. The reader will not be surprised to learn that this conduct on the part of Fox greatly lessened the high estimation in which he had been previously held by Smith.

In 1787 Smith was elected Lord Rector of the University of Glasgow. On this occasion he addressed a letter to that learned body, which strikingly evinces the high sense he felt of this honour, and his regard for those from whom it emanated. "No preferment," says he "could have given me so much real satisfaction. No man can owe greater obligations to a society than I do to the University of Glasgow. They educated me; they sent me to Oxford. Soon after my return to Scotland, they elected me one of their own members; and afterwards preferred me to another office, to which the abilities and virtues of the never-to-be-forgotten Dr Hutcheson[2] had given a superior degree of illustration. The period of thirteen years, which I spent as a member of that society, I remember as by far the most useful, and therefore as by far the happiest and most honourable, period of my life; and now, after three-and-twenty years absence, to be remembered in so very agreeable a manner by my old friends and protectors, gives me a heart-felt joy which I cannot easily express to you."

[1] Butler's *Reminiscences*, i. p. 173.

[2] M. Cousin has justly observed, that the influence of Hume over Smith, great as it undoubtedly was, never exceeded or perhaps equalled that of Hutcheson. He inclines more in all his philosophical speculations to the views of the latter than to those of the former. (Cours de l'Histoire de la Philosophie Moderne, iv. 197, ed. 1846.)

His constitution, which had at no time been robust, began early to give way; and his decline was accelerated by the grief which he felt on account of the death of his mother, in 1784, and of Miss Douglas, in 1788. He survived the latter only about two years, having died on the 17th July 1790. His last illness, which was occasioned by a chronic obstruction of the bowels, was both tedious and painful. He bore it with the greatest fortitude; and had all the consolation that could be derived from the attention of his friends, and from their sympathy and that of his fellow-citizens.

In a letter written by Mr Smellie, to a friend in London, about three weeks before Smith's death, we find the following statement:—"Poor Smith! We must soon lose him; and the moment in which he departs will give a heartfelt pang to thousands. Mr Smith's spirits are flat, and I am afraid the exertions he sometimes makes to please his friends do him no good. His intellects, as well as his senses, are clear and distinct. He wishes to be cheerful, but Nature is omnipotent. His body is extremely emaciated, because his stomach cannot admit of sufficient nourishment; but, like a man, he is perfectly patient and resigned."[1]

Smith was no speculative moralist, no pseudo-liberal, no eulogist of virtues which he failed to practise. He had the utmost contempt, which he never hesitated to express in the most decided manner, for whatever was insincere, mean, or malignant. His integrity and his truthfulness were unimpeached and unimpeachable. Unsuspecting and warm in his affections, he was most anxious, on all occasions, to promote the interests of his friends;[2] and his generosity was limited only by his means. He was in the habit of allotting a considerable part of his income to offices of secret charity. Stewart mentions that he had been made acquainted with some very affecting instances of his beneficence. "They were all," he observes, "on a scale much beyond what might have been expected from his fortune; and were accompanied with circumstances equally honourable to the delicacy of his feelings and the liberality of his heart." This was no doubt the cause that the property which he left at his death was not such as might have been expected from his income, and the moderate, though gentlemanlike, scale of his household expenditure.[3]

Smith was deeply versed in the history and philosophy of antiquity. His acquaintance with English, French, and Italian literature was, also, intimate and critical;[4] and it might be said of him, as it was said of his countryman Buchanan, that he was *omni liberali eruditione non leviter tinctus, sed penitus imbutus.* He had a strong relish for the beauties of poetry, Homer, Virgil, Tasso, and Ariosto, being among his chief favourites. But his studies and speculations were directed more to what was useful and important, than to what was elegant and entertaining. And he looked with a scrutinising eye into the history of the rise, progress, and decline of

[1] Letter, 27th June 1790; Kerr's Life of Smellie, p. 205.

[2] One of the last acts of his life was to recommend the children of his friend, the celebrated Dr Cullen, to the Duke of Buccleuch, a recommendation that was not forgotten.

[3] In his Life of Kames, Lord Woodhouselee mentions a circumstance which sets Smith's high-mindedness in regard to money matters in a striking light.—Vol. i. p. 272.

[4] His library contains all the best French and Italian works.

nations, and of the revolutions of art, science, and taste, that he might thence deduce the principles and practical results embodied in his works. But he never separated the *honestum* from the *utile*. And his principles and theories were valuable only in his estimation as they contributed to promote the freedom, the virtue, and the well-being of mankind.

He acquired an extensive,[1] well-selected, and valuable collection of books, which he prized very highly, in most departments of philosophy, literature, and science. It was bequeathed, along with his other property, to his cousin, David Douglas, Esq., who eventually became a judge of the Court of Session in Scotland, under the courtesy title of Lord Reston. At the death of the latter, the library was equally divided between his two daughters and co-heiresses, and is still in their possession.[2]

Notwithstanding the apparent flow and artlessness of his style, and his great experience in composition, Smith stated, not long before his death, that he continued to compose as slowly, and with as great difficulty, as at first. He did not write with his own hand, but generally walked up and down his apartment, dictating to an amanuensis,[3] a habit which may in part, perhaps, account for that repetition and diffuseness of style which is so observable in both his works, but especially in the "Wealth of Nations." He regarded the works of Middleton as affording the best specimens of English composition; and he was accustomed to recommend the careful study of his "Life of Cicero," to all who wished to write easily, perspicuously, and in correct English.

The want of notes, and the fewness of references to authorities, may be mentioned as a peculiarity of Smith's writings; and one in which they differ very widely from those of his contemporaries, Hume and Robertson, especially the last. Stewart says, that "Smith considered every species of note as a blemish or imperfection, indicating either an idle accumulation of superfluous particulars, or a want of skill and comprehension in the general design."[4] Although, however, it must be admitted that Robertson in his Histories of Charles V. and America, has embodied in notes a large amount of interesting matter, which might have been advantageously incorporated with the text, Smith has certainly carried the opposite practice to an extreme. It is impossible, indeed, to lay down any precise rules on a subject of this sort, or to say positively when notes or references had

[1] Probably about 5000 volumes.

[2] One of the ladies now referred to, married the Rev. Mr Cunningham of the Free Church, Prestonpans; and the other, the Rev. Dr Bannerman, professor of Divinity in the Free Church College, Edinburgh.

Smellie, in his account of Smith, says, "The first time I happened to be in his library, observing me looking at the books with some degree of curiosity, and perhaps surprise, for most of the volumes were elegantly, and some of them superbly bound, 'You must have remarked,' said he, 'that *I am a beau in nothing but my books.*'"—*Smellie's Lives*, p. 296.

Through Mr Cunningham's kind permission we have seen the books, and we think that their condition hardly warrants the account given of them by Smellie. They seem to have been neatly, and in some instances elegantly bound; but we saw few or none of which the binding could, with much propriety, be said to have been superb. But, independently of their condition, they are a most interesting collection; and it were much to be wished that they were reunited and preserved entire in some public institution.

[3] Stewart states that all Hume's works were written with his own hand; and that the last volumes of his history were printed from the original copy, with only a few marginal corrections.

[4] Account of the Life and Writings of Robertson, p. 142.

better be made or omitted. But their total or nearly total omission seems to be quite as objectionable as their excess. At all events, there does not appear to be much room for doubting that the arrangement of the "Wealth of Nations" would have gained materially in clearness and simplicity, had the author adopted, in part at least, the plan of Robertson, and thrown some of the numerous digressions by which the thread of the investigation is interrupted into the form of notes or supplementary chapters. And there are many occasions when a reference to the facts or authorities on which an argument is founded, would have given it additional strength, and been satisfactory to the reader.

Smith had early resolved that such only of his manuscripts as were in his own estimation fit for publication should ever see the light. In a letter to Hume, in 1773, when he was about leaving Kirkcaldy on a short visit to London, after stating that he had made him his literary executor, he goes on to direct that in the event of his death the entire papers left in his house, with the exception of a fragment on the "History of Astronomical Systems,"[1] should "be destroyed without any examination." He adds, "Unless I die very suddenly, I shall take care that the papers I carry with me shall be carefully sent to you." No doubt the "Wealth of Nations" was then nearly completed; and the probability is, that it was included in the papers taken with him which were to be sent to Hume.

The resolution to which he had thus unfortunately come, was carried into effect a few days before his death, when all his papers were committed to the flames, excepting parts of essays, intended to illustrate the principles that lead and direct philosophical inquiries, which he left to his friends to publish or not as they thought proper. The contents of the manuscripts that were destroyed are not exactly known; but they certainly comprised the course of lectures on rhetoric and *belles lettres* delivered at Edinburgh in 1748, and the lectures on jurisprudence and natural religion, which formed a most important part of the course of moral philosophy delivered at Glasgow. The loss of the latter must ever be a subject of deep regret, and is, in truth, one of the most serious which philosophy has to deplore. We are ignorant of the motives which determined Smith to enforce their destruction. Stewart surmises that it was not so much on account of any apprehended injury to his literary reputation from the publication of such unfinished works, as from an anxiety lest the progress of truth should be retarded by the statement of doctrines of which the proofs were not fully developed; but this is doubtful.

The following observations on the private character and habits of Smith proceed from the pen of Dugald Stewart, who knew him well, and who was the last survivor of that galaxy of illustrious men who shed, during the latter portion of last century, so imperishable a glory over the literature of Scotland. "The more delicate and characteristical features of his mind," Stewart observes, "it is perhaps impossible to trace. That there were many peculiarities, both in his manners and in his intellectual habits, was manifest to the most superficial observer; but although, to those who knew him, these peculiarities detracted nothing from the respect which

[1] "In my writing-desk in my book-room."

his abilities commanded; and although, to his intimate friends, they added an inexpressible charm to his conversation, while they displayed, in the most interesting light, the artless simplicity of his heart; yet it would require a very skilful pencil to present them to the public eye. He was certainly not fitted for the general commerce of the world, or for the business of active life. The comprehensive speculations with which he had been occupied from his youth, and the variety of materials which his own invention continually supplied to his thoughts, rendered him habitually inattentive to familiar objects, and to common occurrences; and he frequently exhibited instances of absence, which had scarcely been surpassed by the fancy of La Bruyere.[1] Even in company he was apt to be engrossed with his studies; and appeared at times, by the motion of his lips, as well as by his looks and gestures, to be in the fervour of composition. I have often, however, been struck, at the distance of years, with his accurate memory of the most trifling particulars; and am inclined to believe, from this and some other circumstances, that he possessed a power, not perhaps uncommon among absent men, of recollecting, in consequence of subsequent efforts of reflection, many occurrences which, at the time when they happened, did not seem to have sensibly attracted his notice.

"To the defect now mentioned, it was probably owing, in part, that he did not fall in easily with the common dialogue of conversation, and that he was somewhat apt to convey his own ideas in the form of a lecture. When he did so, however, it never proceeded from a wish to engross the discourse, or to gratify his vanity. His own inclination disposed him so strongly to enjoy in silence the gaiety of those around him, that his friends were often led to concert little schemes, in order to engage him in the discussions most likely to interest him. Nor do I think I shall be accused of going too far when I say, that he was scarcely ever known to start a new topic himself, or to appear unprepared upon those topics that were introduced by others. Indeed, his conversation was never more amusing than when he gave a loose to his genius upon the very few branches of knowledge of which he only possessed the outlines.[2]

"The opinions he formed of men, upon slight acquaintance, were frequently erroneous; but the tendency of his nature inclined him much more to blind partiality than to ill-founded prejudice. The enlarged views of human affairs, on which his mind habitually dwelt, left him neither time nor inclination to study, in detail, the uninteresting peculiarities of ordinary

[1] Some instances of this sort, and of his peculiarities in other respects, have been specified in an article in the "Quarterly Review;" but of these some have been shown to be quite apocryphal (*ante* p. xiii), and they are all too evidently caricatured to warrant any confidence being placed in them.

[2] According to Boswell, Smith once told Sir Joshua Reynolds "that he made it a rule, when in company, never to talk of what he understood."—(*Boswell's Johnson*, by Croker, 8vo., p. 662.) But, if ever made, this must have been a mere jocular assertion, and doubtless was so understood by Reynolds. Boswell, however, takes it in its literal sense, and explains it by saying that it proceeded from Smith having "book-making much in his thoughts," and being "chary of what might be turned to account in that way." But though sufficiently characteristic of Boswell, nothing can be more opposed than this statement to all that is known of Smith. It may be safely affirmed that no great author ever less deserved to be twitted with book-making than he did. And the notion that this conversation was influenced by a regard to his prospective interests in that rather humble occupation, is so inexpressibly mean and absurd, that one is surprised at its having occurred even to Boswell.

characters; and accordingly, though intimately acquainted with the capacities of the intellect, and the workings of the heart, and accustomed in his theories, to mark, with the most delicate hand, the nicest shades, both of genius and of the passions; yet, in judging of individuals, it sometimes happened that his estimates were, in a surprising degree, wide of the truth.

"The opinions, too, which in the thoughtlessness and confidence of his social hours, he was accustomed to hazard on books, and on questions of speculation, were not uniformly such as might have been expected from the superiority of his understanding, and the singular consistency of his philosophical principles. They were liable to be influenced by accidental circumstances, and by the humour of the moment; and, when retailed by those who only saw him occasionally, suggested false and contradictory ideas of his real sentiments. On these, however, as on most other occasions, there was always much truth, as well as ingenuity in his remarks; and if the different opinions which, at different times, he pronounced upon the same subject had been all combined together, so as to modify and limit each other, they would probably have afforded materials for a decision, equally comprehensive and just. But, in the society of his friends, he had no disposition to form those qualified conclusions that we admire in his writings; and he generally contented himself with a bold and masterly sketch of the object, from the first point of view in which his temper, or his fancy, presented it. Something of the same kind might be remarked, when he attempted, in the flow of his spirits, to delineate those characters which, from long intimacy, he might have been supposed to understand thoroughly. The picture was always lively and expressive, and commonly bore a strong and amusing resemblance to the original, when viewed under one particular aspect; but seldom, perhaps, conveyed a just and complete conception of it in all its dimensions and proportions. In a word, it was the fault of his unpremeditated judgment to be too systematical, and too much in extremes.

"But, in whatever way these trifling peculiarities in his manners may be explained, there can be no doubt that they were intimately connected with the genuine artlessness of his mind. In this aimable quality, he often recalled to his friends the accounts that were given of good La Fontaine; a quality which in him derived a peculiar grace from the singularity of its combination with those powers of reason and of eloquence, which, in his political and moral writings, have long engaged the admiration of Europe.

"In his external form and appearance there was nothing uncommon. When perfectly at ease, and when warmed with conversation, his gestures were animated, and not ungraceful; and, in the society of those he loved, his features were often brightened with a smile of inexpressible benignity. In the company of strangers, his tendency to absence, and perhaps still more his consciousness of this tendency, rendered his manner somewhat embarrassed—an effect which was probably not a little heightened by those speculative ideas of propriety which his recluse habits tended at once to perfect in his conception, and to diminish his power of realising. He never sat for his picture; but the medallion of Tassie conveys an exact idea of his profile, and of the general expression of his countenance."[1]

[1] Along with the medallion referred to, Tassie executed for Smith medallions of his friends—Dr Black the chemist, Dr Hutton the geologist, Dr Reid of Glasgow, and Mr Lumisden, probably the author of the valuable work on the Antiquities of Rome. These interesting relics are now in the possession of Dr Bannerman.

Thus far Stewart: Smellie says, "In his deportment, when walking, there were some singularities. His head had a gentle motion from side to side; and his body, at every step, had a kind of rolling or vermicular motion, as if he meant to alter his direction, or even to turn back. In the street, or elsewhere, he always carried his cane on his shoulder as a soldier does his musket. These may be considered, as slight shades, but, in a picture, slight shades are often highly characteristic." (Lives, p. 296.)

We may further add, that Smith was about the middle size, well made, and stout, though not fat or corpulent. His countenance, which was manly and agreeable, inclined more to the Saxon than the Celtic caste, and was well lighted up by his large, expressive, grey eyes. His disposition was social in the extreme, especially in his own house, and in the company of his early friends. His Sunday suppers were long celebrated in Edinburgh circles.

The following is a list of the published works of Dr Smith:—

1. Two articles in the "Edinburgh Review" for 1755, being (1) a Review of "Johnson's English Dictionary;" and (2) "A Letter to the Editors."

2. "Theory of Moral Sentiments." The first edition of this work was published in 8vo, early in 1759. The sixth edition was published a short time before the author's death. It contains several additions, most of which were executed during his last illness.

3. "Considerations concerning the first Formation of Languages, and the different Genius of Original and Compounded Languages."

This essay was originally subjoined to the first edition of the "Moral Sentiments." It is an ingenious and pretty successful attempt to explain the formation and progress of language, by means of that species of investigation to which Dugald Stewart has given the appropriate name of *Theoretical* or *Conjectural History*; and which consists in endeavouring to trace the progress and vicissitudes of any art or science, partly from such historical facts as have reference to it, and, where facts are wanting, from inferences derived from considering what would be the most natural and probable conduct of mankind under the circumstances supposed.[1]

4. "An Inquiry into the Nature and Causes of the Wealth of Nations." The first edition was published at London in 1776, in two volumes 4to. The fourth edition, which was the last published by the author, appeared, in three vols 8vo, in 1786.

5. His posthumous works, or those which he exempted from the general destruction of his manuscripts, and which were published by his friends, Doctors Black and Hutton. These gentlemen, in an advertisement prefixed to the publication, state that, when the papers which Dr Smith had left in their hands were examined, "the greater number appeared to be

[1] The admirable work of Goguet, de l'Origine des Loix, des Arts, et des Sciences (3 vols 4to), Paris, 1758, is by far the best specimen ever given to the public of this species of history. Gibbon says, that he doubts "whether this book, especially in England, be as well known as it deserves to be." (Decline and Fall, cap. 40.) But there is, in truth, no doubt that it is not; which is the more surprising, as, besides being highly interesting and instructive, it has been extremely well translated by Dr Henry, the historian (3 vols. 8vo, Edinburgh, 1761.)

parts of a plan he had once formed for giving a connected history of the liberal sciences and elegant arts." "It is long," they add, "since he found it necessary to abandon that plan, as far too extensive; and these parts of it lay beside him neglected until his death. The reader will find in them that happy connection, that full and accurate expression, and that clear illustration, which are conspicuous in the rest of his works; and though it is difficult to add much to the great fame he so justly acquired by his other writings, these will be read with satisfaction and pleasure." The papers in question comprise,—I. Fragments of a great work "On the Principles which lead and direct Philosophical Inquiries, illustrated—(1) by the History of Astronomy; (2) by the History of the Ancient Physics; and (3) by the History of the Ancient Logics and Metaphysics." II. An essay entitled, "Of the Nature of that Imitation which takes place in what are called the Imitative Arts." III. A short tract, "Of the Affinity between certain English and Italian Verses." IV. A disquisition, "Of the External Senses."

Of the historical dissertations, the first only, on the "History of Astronomy," seems to be nearly complete. They are all written on the plan of the dissertation on the "Formation of Languages," being partly theoretical, and partly founded on fact. In the essay on the "History of Astronomy," after premising some ingenious speculations with respect to the effects of unexpectedness and surprise, and of wonder and novelty, the author proceeds to give a brief outline of the different astronomical systems, from the earliest ages down to that of Newton.

The fragments that remain of the other two historical essays are much less complete, and do not possess the interest of the latter.

Smith contends, in the essay on the "Imitative Arts," that the pleasure derived from them depends principally upon the difficulty of the imitation, or, as he has expressed it, "upon our wonder at seeing an object of one kind represent so well an object of a very different kind, and upon our admiration of the art which surmounts so happily that disparity which nature had established between them."[1] On this principle he explained the preference so generally given in tragedy to blank verse over prose; and Stewart mentions that, for the same reason, he was inclined to prefer rhyme in tragedy to blank verse, and that he extended the same principle to comedy;[2] and even went so far as to regret that the graphic delineations of real life and manners, exhibited on the English stage, had not been subjected to the fetters of rhyme, and executed in the manner of the French. But these conclusions were entirely consistent with his general views as to taste in composition. He was a firm adherent of the classical school. The principal tragedies of Corneille, Racine, and Voltaire, the comedies of Moliere, and the verses of Boileau, Pope, and Gray, had, in his estimation, reached the highest degree of excellence.

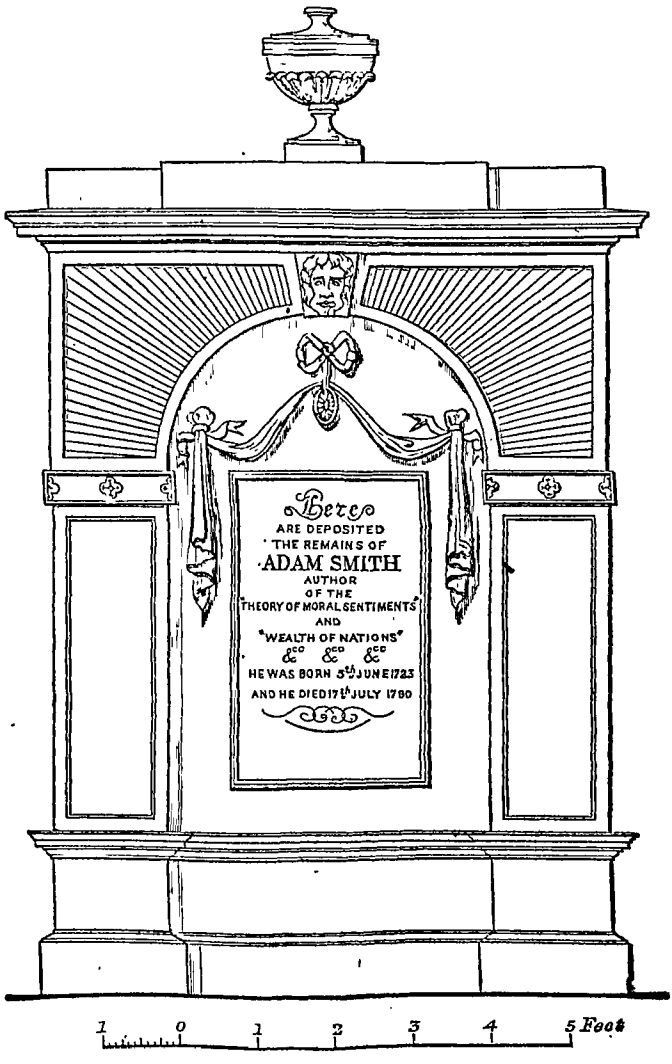
The short essay, "Of the Affinity between certain English and Italian Verses," is curious rather than valuable. It, however, illustrates the variety of the author's literary pursuits.

[1] Smith's Works, vol. v. p. 261, edit. 1811.

[2] Boswell mentions, that having told Johnson how much Smith preferred rhyme to blank verse, Johnson said, "Sir, I was once in company with Smith, and we did not take to each other; but had I known that he loved rhyme as much as you tell me he does, I should have hugged him."—(*Boswell's Johnson*, by Croker, p. 146.)

The disquisition with respect to the "External Senses" is of considerable extent; and is a valuable contribution to the science of which it treats.

We subjoin a wood-cut, which gives a view of the unostentatious monument that marks the burial-place of Smith, in the Canongate churchyard, Edinburgh.



INTRODUCTORY DISCOURSE.

I. RISE AND PROGRESS OF POLITICAL ECONOMY DOWN TO THE PUBLICATION OF THE "WEALTH OF NATIONS."

If the interest and importance of the subjects of which it treats be any test of the interest and importance of a science, Political Economy will be found to have the strongest claims on the public attention. It points out the means by which the necessaries, comforts, and enjoyments that constitute wealth may be most easily and cheaply produced; it ascertains the laws by which they are divided among the different classes of the community; and the mode in which they may be most advantageously consumed. Its intimate connection with all the best interests of mankind is consequently obvious. No other science comes so directly home to our every-day occupations and business. The consumption of wealth is indispensable to existence; but the eternal law of Providence has decreed that it can only be procured by industry—that man must earn his bread in the sweat of his brow. This twofold necessity renders the attainment of wealth the principal object of the exertions of the vast majority of the human race; it has subdued the natural aversion of man from labour, given activity to indolence, and armed the patient hand of industry with zeal to undertake, and perseverance to overcome, the most irksome and disagreeable tasks.

Such being the circumstances under which society is placed, the science which teaches how the production of wealth may be most effectually promoted; and which, also, unfolds the principles that govern its distribution, must certainly deserve to be carefully studied and meditated. There are none to whom it can be considered extrinsic or superfluous. There are some, doubtless, such as statesmen and those engaged in the administration of public affairs, to whom it may be of more consequence than others; but it is of importance to all. Even the few who, having inherited ample fortunes, are exempted from any necessity of attending to the means by which they may be further augmented, must, notwithstanding, feel interested in many of the inquiries pertaining to this science. All of them involve considerations deeply affecting the well-being of numerous individuals, or of the public. The prices of all sorts of commodities—the profits of the manufacturer and merchant—the rent of the landlord—the wages of the labourer—and the incidence and effect of taxes and regulations, depend on principles which it belongs to the Political Economist to ascertain and elucidate.

Neither is wealth necessary only because it affords the means of subsistence. Where it has not been amassed, the care of providing for their immediate wants engrosses the undivided attention of all; and the views, sentiments, and feelings of the people are alike contracted and illiberal. The possession of a decent competence, or the ability to indulge in other pursuits than those that directly tend to satisfy our animal wants and desires, is necessary to soften the selfish passions, to improve the moral and intellectual

character, and to insure any considerable proficiency in liberal studies and pursuits. Without the tranquillity and leisure afforded by the enjoyment of accumulated riches, those speculative and elegant studies which enlarge our views, purify our taste, and lift us higher in the scale of being, could not be successfully prosecuted. The barbarism and refinement of nations depend more on their wealth than on any other circumstance. No people have ever made any distinguished figure in philosophy or the fine arts, without having been, at the same time, celebrated for their riches and industry. Pericles and Phidias, Petrarch and Raphael, adorned the flourishing ages of Grecian and Italian commerce. The influence of wealth is, in this respect, almost omnipotent. It raised Venice from the bosom of the deep, and made the desert and sandy islands on which she is built, and the unhealthy swamps of Holland, the favoured abodes of literature, science, and art. In our own country its effects have been equally striking. The number and eminence of our philosophers, poets, scholars, and artists, have always increased proportionally to the increase of the public wealth, or to the means of rewarding and honouring their labours.

Wealth being thus essential to individual existence and comfort, and to national civilization and distinction in the arts, it may justly excite surprise that so few efforts should have been made, until a very recent period, to investigate its sources; and that Political Economy was not early considered as forming a principal part in all comprehensive systems of education. A variety of circumstances might be specified as having conspired to occasion its unmerited neglect; but of these we shall only notice the two which seem to have had the greatest influence, viz. the political doctrines and institutions of the ancient world, and the darkness of the period when the universities of modern Europe were founded.

The citizens of Greece and Rome considered it degrading to engage in those branches of manufacturing and commercial industry which form, perhaps, the principal business of the inhabitants of modern Europe. This prejudice doubtless descended from those ages of violence and disorder, antecedent to the establishment of regular governments, when man, constantly exposed to hostile attacks, depended on his sword alone for protection, and devolved on the softer sex, or on the captives whom the fortune of war had put in his power, all those sedentary and laborious occupations which were considered as incompatible with the higher functions he was called upon to discharge. The constitution of the ancient republics tended to foster and perpetuate the early opinions with respect to the inferiority of mechanical pursuits. The citizens of Sparta,* and of some of the other Grecian states, were prohibited from engaging in manufactures or commerce: and though this prohibition did not exist in Athens, the same opinions prevailed in it; and these employments being regarded as unworthy of freemen, were, in consequence, wholly carried on either by slaves or by the very dregs of the populace. Aristotle uniformly speaks in the most contemptuous terms of artisans and merchants, who, he says, are to be classed with things useful to the commonwealth, but are not to be ranked with the citizens:† and Plato goes so far as to propose banishing them entirely from his imaginary republic.‡ The same prejudice had a still more pow-

* Cragius, de Republica Lacedæmoniorum, p. 284.

† Aristot. Polit. lib. vii. cap. 9.; lib. viii. cap. 4. &c. ‡ De Republica, Lib. ii.

erful influence at Rome, which had less of an industrial character than Athens. Instead of endeavouring to enrich themselves by their own exertions, the Romans trusted to the reluctant labour of slaves, and to subsidies extorted from conquered countries. Even Cicero, who had mastered all the philosophy of the ancient world, and raised himself above many of the prejudices of his age and country, does not scruple to affirm, that there can be nothing ingenuous in a workshop; that commerce, when conducted on a small scale, is mean and despicable, and, when most extended, barely tolerable—*Non admodum vituperanda!** Agriculture, indeed, was treated with more respect. Some of the most distinguished characters in the earlier ages of Roman history had been actively engaged in rural affairs; but, notwithstanding their example, in the flourishing period of the Republic, and under the Emperors, the soil was principally cultivated by slaves belonging to the landlord, and employed on his account. The mass of Roman citizens were either engaged in the military service, or derived a precarious and dependent subsistence from the supplies of corn furnished by the conquered provinces. The relations subsisting in modern Europe between landlords and tenants, and masters and servants, being, in consequence, almost unknown, the ancients were comparative strangers to those interesting questions, growing out of the rise and fall of rents and wages, which form so important a branch of economical science. Their philosophy was also extremely unfavourable to the cultivation of Political Economy. The luxury of the rich, or their more refined mode of living, was regarded by the ancient moralists as an evil of the first magnitude. They considered it as subversive of those warlike virtues which they principally admired; and they, consequently, denounced the passion for accumulation as fraught with the most injurious consequences. It was impossible that this science should become an object of attention to minds imbued with such prejudices, or that it should be studied by those who contemned the objects about which it is conversant, and vilified the labour by which wealth is produced.

The clergy being possessed of almost all the knowledge extant when universities were established in the course of the middle ages, were entrusted with the regulation of these seminaries; and their peculiar habits and pursuits had a marked influence over the plans of education they were employed to frame. Grammar, rhetoric, logic, school divinity, and civil law, comprised the whole course of study. To have appointed professors to explain the principles of commerce, and the means by which labour may be rendered most productive, would have been considered as equally superfluous and degrading to the dignity of science. The ancient prejudices against commerce, manufactures, and luxury, retained a powerful influence in the ages in question. Few had then any clear ideas concerning the true sources of national wealth and prosperity. The intercourse among states was extremely limited; and was maintained rather by marauding incursions, and piratical expeditions in search of plunder, than by a commerce founded on the gratification of reciprocal wants.

These circumstances sufficiently account for the late rise of this science, and the little attention paid to it previously to the last century. And, since it became an object of more general attention and inquiry, the differences which have subsisted among the more eminent of its professors, have proved

* De Officiis, lib. i. cap. 42.

exceedingly unfavourable to its progress, and have generated a disposition to doubt its best established conclusions.

It is clear, however, that those who distrust the conclusions of Political Economy, because of the various theories that have been advanced to explain the phenomena about which it is conversant, might, on the same ground, distrust the conclusions of almost every other science. The discrepancies among the theories successively put forth by the ablest physicians, chemists, natural philosophers, and moralists, are quite as great as any that have existed among those advanced by the ablest economists. But who would therefore conclude that medicine, chemistry, natural philosophy, and morals, rest on no solid foundation, or that they are incapable of presenting a system of well-established, consentaneous truths? We do not refuse our assent to the demonstrations of Newton and Laplace, because they are subversive of the hypotheses of Ptolemy, Tycho Brahè, and Descartes; and why should we refuse our assent to the demonstrations of Smith and Ricardo, because they have subverted the false theories that were previously advanced respecting the sources and the distribution of wealth? Political Economy has not been exempted from the fate common to all the sciences. None of them has been instantaneously carried to perfection; more or less of error has always insinuated itself into the speculations of their earliest cultivators. But the errors with which this science was formerly infected have nearly disappeared; and it has been repeatedly shown that it admits of as much certainty in its conclusions as any science founded on reasonings deduced from *facts and experience* can possibly do.

Those who reflect on the variety of information required for the construction of a sound theory of Political Economy, will cease to feel any surprise at the errors into which its cultivators have been betrayed, or at the diversity of opinion that still prevails on some important points. To arrive at a true knowledge of the laws which regulate the production, distribution, and consumption of national wealth, we must draw our materials from a very wide surface. The economist should study man in every different situation. He should resort to the history of society, arts, commerce, and government; to the works of philosophers and travellers; to every thing, in short, fitted to throw light on the progress of opulence and civilization. He should mark the successive changes which have taken place in the fortunes and condition of the different ranks and orders of men in his own country and in others; he should trace the rise, progress, and decline of population and industry; and, above all, he should analyse and compare the influence of different institutions and regulations, and carefully discriminate the various circumstances wherein advancing and declining societies differ from each other. These investigations are so very complex and difficult, that it is not possible, perhaps, always to arrive at a right conclusion. But though they may not be quite free from error, they are sufficient, when made with the requisite care and attention, to unfold the principal sources of national opulence and refinement, and of poverty and degradation. And, however defective, they furnish the only available means for satisfactorily solving the various problems in the science of wealth, and for devising a scheme of public administration fitted to ensure the advancement of nations in the career of improvement.

It is obvious, however, that such extensive and complicated inquiries must require the co-operation of many individuals, and the lapse of a long series of years, before they become capable of affording those well-established

and universally applicable conclusions that may be deduced from them. But while the science of wealth is of comparatively recent origin, its early cultivators were both few in number, and without any accurate ideas with respect to its nature, limits, and objects. Various treatises of considerable merit had been published on some of its detached parts previously to the middle of last century; but it was not treated as a whole, or in a systematic manner, until about that period. This circumstance is of itself enough to account for the number of erroneous theories that have since appeared. Instead of drawing their general conclusions from a comparison of particular facts, and a careful examination of the phenomena attending the operation of different principles, and of the same principles under different circumstances, the first cultivators of almost every science begin by framing their theories on a very narrow and insecure basis. Nor is it really in their power to go to work differently. Observations are scarcely ever made, or particulars noted, for their own sakes. It is not until they begin to be sought after, as furnishing the only test by which to ascertain the truth or falsehood of some popular theory, that they are made in sufficient numbers, and with sufficient accuracy. In the phraseology of this science, it is the effectual demand of the theorist that occasions the production of the raw materials or facts he is afterwards to work into a system. The history of Political Economy strikingly exemplifies the truth of this remark. Being, as already observed, entirely unknown to the ancients, and but little attended to by our ancestors down to a comparatively late period, the details by means of which we might have estimated the wealth and civilization of the more celebrated states of antiquity and of the middle ages, and appreciated the circumstances that accelerated their progress or occasioned their decline, have either been thought unworthy of notice by historians, or been very imperfectly and carelessly specified. Those, therefore, who first began to trace the principles of this science, had but a very limited experience from which to deduce their conclusions. Nor did they even avail themselves of the few historical facts with which they might easily have become acquainted; but in general confined their attention to such as happened to come within the contracted sphere of their own observation.

The once prevalent opinion, that wealth consists exclusively of gold and silver, naturally grew out of the circumstance of the money of civilized countries, consisting principally of these metals. Having been long used, as standards by which to measure the values of commodities, and as the equivalents for which they are most frequently exchanged, gold and silver gradually acquired a factitious importance, not merely in the estimation of the vulgar, but in that of persons of the greatest discernment. The simple and decisive consideration, that to buy and to sell is merely to barter one commodity for another—to exchange, for example, a certain quantity of corn or cloth for a certain quantity of gold or silver, and *vice versâ*—was entirely overlooked. The attention was gradually transferred from the end to the means, from the money's worth to the money itself; and the wealth of individuals and of states was no longer measured by the abundance of their disposable products, or by the number and value of the articles with which they could afford to purchase the precious metals, but by the stock of these metals actually in their possession. And hence the policy, as obvious as it was universal, of attempting to increase national wealth by forbidding the exportation of gold and silver, and encouraging their importation.

It appears from a passage of Cicero, that the exportation of the precious

metals from Rome had been frequently prohibited during the Republic;* and this prohibition was repeatedly renewed, though to very little purpose, by the Emperors.† Neither, perhaps, has there been a state in modern Europe, which has not at some period or other forbidden the exportation of gold and silver. It is said to have been interdicted by the law of England previously to the Conquest; and several statutes were subsequently passed to the same effect; one of which, the 3d Henry VIII. cap. 1., enacted so late as 1512, declares, that all persons carrying over sea any coins, plate, or jewels, shall, on detection, forfeit double their value.

The extraordinary extension of commerce during the fifteenth and sixteenth centuries occasioned the substitution of a more refined and complex system for increasing the supply of the precious metals in the place of the coarse and vulgar one previously acted upon. The establishment of a direct intercourse with India by the Cape of Good Hope, seems to have had the greatest influence in effecting this change. Until very recently, the precious metals have always been among the most advantageous articles of export to the East: and, notwithstanding the old and deeply rooted prejudices against their exportation, the East India Company obtained, when established in 1600, leave annually to export foreign coin, or bullion, of the value of L.30,000; on condition, however, that they imported within six months of the termination of every voyage, except the first, as much gold and silver as should together be equal to the value of the silver they had exported. But their opponents contended, that this condition was not complied with; and that it was moreover contrary to principle, and highly injurious to the public interests, to send gold and silver out of the kingdom! The merchants and others interested in the Company, could not controvert this allegation, without openly impugning the ancient policy of absolutely preventing the export of the precious metals. They did not, however, venture to contend, nor is there, perhaps, any good reason for thinking that it really occurred to them, that the export of bullion to the East, was advantageous, because the commodities obtained for it were more valuable in England. They took a narrower ground, and contended, that it was advantageous, because the commodities imported from India were chiefly re-exported to other countries, whence we got back in exchange a greater amount of bullion than had been expended on their purchase. Mr Thomas Mun, the ablest of the Company's advocates, compares the operations of the merchant in conducting a trade carried on by the export of gold and silver, to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."‡

Such was the origin of what has been called the MERCANTILE SYSTEM: and, when compared with the previous prejudice—for it hardly deserves the name

* "*Exportari aurum non oportere, cum sæpe antea senatus, tum me consule, gravissime judicavit.*" Orat. pro L. Flacco, sect. 28.

† Pliny, when enumerating the silks, spices, and other Eastern products imported into Italy, says, "*Minimaque computatione millies centena millia sestertium annis omnibus, India et Seres, peninsulaque illa (Arabia) imperio nostro demunt.*" (Hist. Nat. lib. xii. cap. 18.)

‡ Treasure by Foreign Trade, orig. ed. p. 50.—This work was published in 1664, a considerable period after Mun's death. Most probably it had been written about 1635 or 1640. Mun

of system—which wholly interdicted the export of gold and silver, it must be allowed that it was a considerable step in the progress to sounder opinions. The founders of the mercantile system, admitted, like their predecessors, that gold and silver were the only constituents of wealth; but they alleged that their export might be safely permitted, 1st, when the produce brought back in their stead was subsequently sold, either wholly or in part, to the foreigner for more bullion than it had cost; and, 2d, when the import of such foreign produce occasioned an equal or greater increase in the previous export of native produce. They contended that in the last, as well as in the former, of these cases, the original export of bullion would be balanced or more by its subsequent import. And hence the theory of the *Balance of Trade*. Its supporters endeavoured to acquire the largest supplies of the precious metals, by framing various complex schemes for encouraging exportation, and for restraining the importation of most products not intended for future exportation, except gold and silver. The *excess of the value of the Exports over that of the Imports* came, in consequence, to be looked upon as being at once the sole cause and measure of the progress of a country in the accumulation of wealth. This excess, it was taken for granted, occasioned the importation of an equal amount of gold or silver, or of the only real wealth which it was supposed a nation could possess.

It will be afterwards seen that, speaking generally, there is no country, the value of the imports into which does not exceed the value of its exports; and that, therefore, the favourable balance of the mercantile system has no existence in fact. But, though wholly false and erroneous, its principles and conclusions afford a tolerable explanation of a few pretty obvious phenomena; and what did more to recommend them, they were in perfect unison with the popular prejudices on the subject. The founders of this system did not subject its doctrines to any very refined analysis or examination. But, taking for granted that the common consent of mankind was a sufficient evidence of their truth, they thought only of the measures required to give them the greatest practical efficacy.

How singular soever it may now appear, this theory was approved, when first promulgated, by the most eminent philosophers, as well as by the entire body of merchants and practical men. Even Lord Bacon gave it the sanction of his authority. His advice to Sir George Villiers, afterwards Duke of Buckingham, though not published till 1661, was most probably written in 1615 or 1616, about the time when Villiers became the chief favourite and minister of the king, James I.; and in it he has referred, as follows, to the balance of trade:—"This realm is much enriched of late years by the trade of merchandise which the English drive in foreign parts; and, if it be wisely managed, it must of necessity very much increase the wealth thereof: care being taken *that the exportation exceed in value the importation;* for *then the* BALANCE OF TRADE *must of necessity be returned in coin or bullion.*"*

But Mun was the great apostle of the mercantile system. "Although," says he, "a kingdom may be enriched by gifts received, or by purchase taken, from some other nations, yet these are things uncertain, and of small consideration, when they happen. The ordinary means, therefore, to in-

had previously advanced the same doctrines, and nearly in the same words, in his Defence of the East India Trade, originally published in 1609 (?), and in a petition to Parliament, drawn up by him for the East India Company in 1628.

* Bacon's Works, ii. 273, 4to Ed. 1765.

crease our wealth and treasure, is by foreign trade, wherein we must ever observe this rule—*to sell more to strangers yearly than we consume of theirs in value.* For, suppose, that when this kingdom is plentifully served with cloth, lead, tin, iron, fish, and other native commodities, we do yearly export the overplus to foreign countries to the value of L.2,200,000, by which means we are enabled, beyond the seas, to buy and bring in foreign wares for our use and consumption to the value of L.2,000,000: by this order duly kept in our trading, we may rest assured that the kingdom shall be enriched yearly L.200,000, which must be brought to us as so much treasure; because that part of our stock which is not returned to us in wares, must necessarily be brought home in treasure." *

This statement is wholly bottomed on the absurd hypothesis, that a merchant will send abroad goods worth at home a certain sum, merely that he may bring back goods or bullion, worth as much! But not to insist on this, can any thing be more preposterous, than to set about measuring the gain on foreign commerce by the mere amount of gold and silver, which, it is taken for granted, must be brought home in payment of the excess of exports; and to lay no stress whatever on its influence in supplying an infinite variety of useful and agreeable products, many of which could not be produced at all, and none of them so cheaply at home! We are desired to consider as nothing, the vast additions which are thus made to the motives that stimulate, and to the comforts and enjoyments that reward the efforts of the industrious classes, and to fix our attention exclusively on the balance, which in most cases is imaginary, of gold and silver! This is something like telling us to estimate the advantageousness of a suit of clothes, by the number and glare of the metal buttons by which they are fastened. And yet this rule for measuring the profit upon foreign commerce, was long regarded as infallible; and, such is the influence of ancient prejudices, that until very recently we were annually congratulated, by the finance minister, on the excess of our exports over our imports!

There were, however, many other circumstances, in addition to the erroneous notions respecting the precious metals, which led to the enacting of regulations restrictive of the freedom of industry, and secured the ascendancy of the mercantile system. The feudal governments established in the countries, which formed the western division of the Roman Empire, early sunk into a state of confusion and anarchy. The princes, unable of themselves to restrain the usurpations of the greater barons, or to control their violence, endeavoured to strengthen their influence and consolidate their power, by attaching the inhabitants of cities and towns to their interests. For this purpose, they granted them charters, enfranchising the citizens, abolishing every existing mark of servitude, and forming them into corporations, or bodies politic, to be governed by councils and magistrates of their own selection. The order and good government that were thus established in cities, and the security of property enjoyed by their inhabitants, while the rest of the country was a prey to rapine and disorder, stimulated their industry, and gave them a marked superiority over the cultivators of the soil. It was from them that the princes derived the greater portion of the men and money, which enabled them to subdue the pride and independence of the barons. But the citizens did not render this assistance to their sovereign merely out of gratitude for the original gift of their charters. They were

* Treasure by Foreign Trade, p. 14.

continually soliciting and obtaining new privileges. And it was not to be supposed that princes, whom they had laid under so many obligations, and who justly regarded them as the most industrious and deserving portion of their subjects, should feel disinclined to gratify their wishes. That they might obtain cheap provisions and carry on their employments to the best advantage, the export of corn and of the raw materials of their manufactures was strictly forbidden. Duties and prohibitions were at the same time employed to secure to their products the monopoly of the home market by preventing the importation of similar articles. And, that nothing might be wanting that could contribute to the same ends, bounties were given to encourage or force the export and sale of native fabrics in foreign countries.

These, with the privilege granted to corporate bodies of preventing all individuals, except by their leave, from carrying on any sort of business within the towns in which they were situated, and of making regulations or bye-laws which prescribed the quantity and quality of the work to be executed by those admitted into their fellowship, the number of apprentices to be engaged by each associate, and the duration of their servitude, form the principal features of the policy adopted, in the view of encouraging domestic industry, in almost every country of Europe, in the 14th, 15th, 16th, and 17th centuries. It would be easy to mention a thousand instances of the extent to which this artificial system was carried here and elsewhere; but as many such must be familiar to every moderately well informed reader, it is sufficient to observe, as illustrative of its spirit, that it was ordered by an act passed in 1678, for the encouragement of the woollen manufacture, that all dead bodies should be wrapped in woollen shrouds!

The exclusion of foreign competition, and the institution of corporate bodies, were not, however, the only grievances with which the public had to contend. The freedom of internal industry, in cases where corporations did not interfere, though guaranteed by the common law of the country, and by repeated acts of the Legislature, was well nigh suppressed.* During the arbitrary reigns of the princes of the house of Tudor, the notion that the Crown was entitled, by virtue of its prerogative, to grant patents for the sole making, buying, and selling of commodities, became fashionable among the court lawyers; and, in consequence, various individuals procured the privilege of carrying on certain branches of industry to the exclusion of others. This abuse was carried to an oppressive height during the reign of Elizabeth, who granted many new patents. And the grievance became, at length, so insupportable, as to make all classes join in petitioning for its abolition; and this, after much opposition on the part of the Crown, which parted most reluctantly with the power to erect monopolies, was effected by the act of 1624, the 21 Jac. I. cap. 3.† By abo-

* The common law and the ancient statute law of England are decidedly hostile to monopolies and restrictions on internal commerce and industry. In his third Institute, Lord Coke lays it down, that *Commercium jure gentium commune esse debet, et non in monopolium et privatum paululorum quæstum convertendum. Iniquum est aliis permittere, aliis inhibere mercaturam.* In Magna Charta a clause is inserted, which bears, that all merchants shall have safe and sure conduct to come into England and to depart from it; and to buy and sell without the obstruction of evil tolls. This privilege was confirmed by several subsequent statutes, as 9 Edward III. cap. 1, 14 Edward III. cap. 2, 25 Edward III. cap. 2, 2 Richard II. cap. 1, &c. And Lord Coke, after reviewing the clause in Magna Charta and these statutes, states distinctly, "That all monopolies concerning trade and traffic, *are against the liberty and freedom granted by the Great Charter*, and divers other acts of Parliament which are good commentaries upon that charter."

† Bacon, in theory at least, was opposed to monopolies.—In his advice to Sir George Vil-

lishing a number of monopolies, and restoring the freedom of internal industry, this act did more, perhaps, than any other in the statute-book, to accelerate improvement: but it did not touch any of the fundamental principles of the mercantile or manufacturing system; and the privileges of all bodies legally incorporated were exempted from its operation.

In France the interests of the manufacturers were warmly espoused by Colbert, the celebrated finance minister of Louis XIV.: And the year 1664, when the new tariff, compiled under his direction, was promulgated, has been sometimes considered, by the continental writers, though, as we have seen, erroneously, as the æra of the mercantile system.*

The restrictions in favour of the manufacturers were all zealously supported by the advocates of the mercantile system, and the balance of trade. The facilities given to the exportation of goods manufactured at home, and the obstacles thrown in the way of importation from abroad, seemed peculiarly well fitted for making the exports exceed the imports, and procuring a favourable balance. Instead, therefore, of being regarded as the offspring of a selfish monopolizing spirit, these regulations were looked upon as having been dictated by the soundest policy. The interests of the manufacturers and merchants were supposed to be identified with each other, and with those of the public. The acquisition of a favourable balance of payments was the grand object in view; and heavy duties and restrictions on importation, and bounties and premiums on exportation, were the means by which it was to be accomplished. It cannot excite surprise that a system having so many popular prejudices in its favour, and which afforded a plausible apology for the exclusive privileges enjoyed by the manufacturing and commercial classes, should have early attained, or that it should still preserve, notwithstanding the overthrow of its principles, a powerful practical influence. †

"It is no exaggeration," says M. Storch, "to affirm, that there are very few political errors which have produced more mischief than the mercantile system. Armed with power, it commanded and forbid when it should only have protected. The regulating mania which it inspired has tormented industry in a thousand ways, to force it from its natural channels. It has made each nation regard the welfare of its neighbours as incompatible with its own: hence their reciprocal desire of injuring and impoverishing each other; and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. This system has stimulated nations to employ force or cunning to extort commercial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others. It has formed colonies, that the mother country might enjoy the monopoly of their trade, and force them to resort exclusively to her markets. In short, where it has been least injurious, it has retarded the progress of national prosperity; everywhere else it has deluged the earth with blood, and has depopulated and ruined some of those countries

liers, already referred to, he says, "Care must be taken that monopolies, which are the cankers of all trading, be not admitted under specious colours of public good."

* Mengotti, *Dissertazione sul Colbertismo*, cap. 11.

† Melon and Forbonnais in France, Genovesi in Italy, Mun, Sir Josiah Child, Dr. Davenant, the authors of the British Merchant, and Sir James Steuart, in England, are the ablest writers who have espoused, some with more and some with fewer exceptions, the leading principles of the mercantile system.

whose power and opulence it was supposed it would carry to the highest pitch." *

The shock given to previous prejudices and systems by the great discoveries and events, which will for ever distinguish the fifteenth and sixteenth centuries, and the greater attention which the progress of civilization and industry naturally drew to the sources of national power and opulence, prepared the way for the downfall of the mercantile system. The advocates of the East India Company, whose interests originally prompted them to question the prevailing doctrines in regard to the export of bullion, gradually assumed a higher tone; and at length boldly contended that it was nothing but a commodity, and that there was no good reason for restraining its exportation. These and other novel opinions having progressively gained ground, were no longer confined within the pale of the East India Company. Many eminent individuals began to look with suspicion on some of the best received maxims; and were consequently led to acquire more correct and comprehensive views with respect to the just principles of commercial intercourse. The new ideas ultimately made their way into the House of Commons; and in 1663, the statutes prohibiting the export of *foreign* coin and bullion were repealed, and leave given to the East India Company, and to private traders, to export them in unlimited quantities.

The representatives of towns, or rather of the corporate bodies established in them, continued, for a lengthened period, to be the most determined supporters of the monopoly system in parliament; and being supposed to be peculiarly well versed in the business of trade and manufacture, of the principles of which they really knew little or nothing, their opinions had a powerful influence over the acts of the legislature, and the theories of political writers. Had government been able to act according to its sense of what was most for the public advantage, without being influenced by the narrow views and prejudices of the commercial classes, there seem to be good grounds for thinking that there would have been, comparatively, few restrictions on industry. Edward III. and others of our princes, incurred no little odium by the judicious protection which they afforded to the foreign manufacturers who took refuge amongst us. Perhaps, however, the best evidence of the enlightened opinions that frequently prevailed in the councils of our monarchs, when they were not swayed by interested parties, is to be found in the letter given to Sir Hugh Willoughby and Captain Richard Chancellour, in 1553, when they set out on their famous voyage of discovery. This letter, written in Latin, Greek, and other languages, and addressed to all kings, princes, and persons in authority, has been preserved by Hakluyt. It is pervaded by the most enlarged and liberal views, and would do no discredit to the statesmen of our own time. It begins by setting forth the disposition to cultivate the love and friendship of his kind, implanted by the Almighty in the heart of man,—the consequent duty of all, according to their power, to maintain and augment this disposition—and the conduct of the king's ancestors in this respect, which had ever been "to shewe good affection to those who came to them from farre countries." It then proceeds as follows:—

"And if it be right and equity to shewe such humanitie to all men, doubtlesse the same ought chiefly to be shewed to merchants, who, wandering about the world, search both the land and the sea, to carry such good

* Storch, *Cours d'Economie Politique*, tome i. p. 122. Paris ed.

and profitable things as are found in their countries to remote regions and kingdomes, and again to bring from the same such things as they find there commodious for their own countries: both as well that the people to whom they goe may not be destitute of such commodities as their countries bring not forth to them, as that also they may be partakers of such things whereof they abound. For the God of heaven and earth, greatly providing for mankinde, would not that all things should be found in one region, to the ende that one should have need of another; that, by this means, friendship might be established among all men, and every one seek to gratifie all. For the establishing and furtherance of which universal amitie, certaine men of our realme, moved hereunto by the said desire, have instituted and taken upon them a voyage by sea into farre countries, to the intent that, between our people and them, a way may bee opened to bring in and carry out merchandises, desiring us to further their enterprises. Who, assenting to their petition, have licensed the right valiant and worthy Sir Hugh Willoughby, Knight, &c., according to their desire, to goe to countries to them heretofore unknown, as well to seeke such things as we lacke, as also to carry unto them, from our regions, such things as they lacke. So that hereby not only commoditie may ensue both to them and us, but also an indissoluble and perpetual league and friendship. We, therefore, desire you, kings and princes, and all other to whom there is any power on earth, to permit, unto these our servants, free passage by your regions and dominions; for they shall not touch any thing of yours unwilling to you. Consider you that they also are men. If, therefore, they shall stand in neede of any thing, we desire you, of all humanitie and for the nobilitie which is in you, to aide and help them with such things as they lacke. Shewe yourselves towards them as you would that we and our subjects should shewe themselves towards your servants, if, at anie time, they shall passe by our regions."*

Ministers, capable of writing such a letter as this, could have had but little confidence in the illiberal sophistries of the mercantile system.

In addition to the controversies respecting the East India trade, the foundation of the colonies in America and the West Indies, the establishment of a compulsory provision for the support of the poor, and the acts prohibiting the exportation of wool, &c., gave rise to much discussion, and attracted an extraordinary share of the public attention to questions connected with domestic policy. In the course of the seventeenth century, a more than usual proportion of tracts were published on commercial and economical subjects. And although the authors of the greater number were strongly imbued with the prevailing spirit of the age, it cannot be denied, that some of them rose above the prejudices of their contemporaries, and have an unquestionable right to be regarded as the founders of the modern theory of commerce—as the earliest expositors of those sound and liberal doctrines, which show, that the prosperity of states can never be promoted by restrictive regulations, or by the depression of their neighbours—that the genuine spirit of commerce is altogether inconsistent with the selfish and shallow policy of monopoly—and that the self-interest of mankind, not less than their duty, requires them to live in peace, and to cultivate a fair and friendly intercourse with each other.

With the exception of Mun, to whom reference has been already made,

* Hakluyt, vol. iii. p. 231.

Sir Josiah Child is perhaps the best known of the commercial writers of the seventeenth century. His "New Discourse of Trade," originally published in 1668, but much enlarged in the next edition, published in 1690, contains many sound and liberal doctrines. The argument to show that colonies do not depopulate the mother country is as conclusive as if it had proceeded from the pen of Malthus; and the reasoning in defence of the naturalisation of the Jews is creditable to the liberality and good sense of the writer, and discovers a mind greatly superior to existing prejudices. Sir Josiah has also some excellent observations on the laws against forestalling and regrating; on those limiting the number of apprentices, and preventing the exportation of bullion; and on corporation privileges.

The principal defect of Sir Josiah Child's Discourse consists in its being written to illustrate the advantages which, he supposes, would result from reducing the legal rate of interest to four *per cent.*; an error into which he was led by mistaking the low rate of interest in Holland for the principal cause of her wealth, when it was in truth the effect of her comparatively heavy taxation.*

It is, however, worthy of remark, that this error was very soon detected. In the same year (1668) that Sir Josiah's Discourse appeared, a tract was published, entitled, "Interest of Money mistaken, or a Treatise, proving that the Abatement of Interest is the Effect and not the Cause of the Riches of a Nation." The author of this tract maintains the opinion afterwards held by Locke and Montesquieu, that the interest of money does not depend on statutory regulations, but that it varies according to the comparative opulence of a country; or rather according to the scarcity and abundance of money—increasing when the latter diminishes, and diminishing when it increases.† Having endeavoured to establish this principle, the author of the tract successfully contends that Sir Josiah Child had mistaken the cause of the wealth of the Dutch, of which he shows the lowness of their interest was a consequence merely.

The writings of Mun, Child, &c., were not deficient so much from their erroneous opinions respecting the superior importance of the precious metals, and the balance of trade, as from those respecting the greater advantages which they contended were derived from importing durable, rather than rapidly perishable commodities. This, however, was an extremely natural opinion. It was sanctioned by Bacon.‡ And we can feel little surprise that an error which escaped his sagacious discernment should have deceived mercantile men, or that in a later age it should have imposed on Locke and Harris. Its fallacy was, however, perceived as early as 1677. In that year, there appeared a small tract, entitled, "England's Great Happiness; or, a Dialogue between Content and Complaint;" in which the author contends, that

* Sir Josiah Child was the author of several tracts in defence of East India trade. The principles advanced in them are similar to those in his *Discourse*.

† It has been generally supposed that Hume was the first to show (*Essay on Interest*) the fallacy of this opinion, and to prove that the rate of interest does not depend on the abundance or scarcity of money, but on the abundance or scarcity of disposable capital compared with the demands of the borrowers, and the rate of profit. This, however, is a mistake, the doctrine in question having been fully demonstrated in a pamphlet written by Mr Massie, "Essay on the Governing Causes of the Natural Rate of Interest," published two years before Hume's Essay appeared.

‡ "In the importation of foreign commodities, let not the merchant return toys and vanities, as sometimes, it was elsewhere apes and peacocks, but *solid merchandise*, first for necessity, next for pleasure, but not for luxury."—Advice to Sir George Villiers, where there are a number of similar passages.

the importation of wine and other perishable commodities, for which there is a demand, in exchange for money, is advantageous: and; on this ground, he defends the French trade, which has been uniformly declaimed against by the supporters of the mercantile system. We give a short extract from this remarkable tract:

"*Complaint.*—You speak plain; but what think you of the French trade? which draws away our money by wholesale. Mr Fortrey,* whom I have heard you speak well of, gives an account that they get L.1,600,000 a-year from us.

"*Content.*—'Tis a great sum; but, perhaps, were it put to a vote in a wise Council, whether for that reason the trade should be left off, 'twould go in the negative.——I must confess, I had rather they'd use our goods than money; but if not, I would not lose the getting of ten pounds because I can't get an hundred; and I don't question but when the French get more foreign trade, they'll give more liberty to the bringing in foreign goods. I'll suppose John-a-Nokes to be a butcher, Dick-a-Styles to be an Exchange man, yourself a lawyer, will you buy no meat or ribands, or your wife a fine Indian gown or fan, because they will not truck with you for indentures which they have need of? I suppose no; but if you get money enough of others, you care not though you give it away *in specie* for these things; I think 'tis the same case."

The spirit which pervades this tract may perhaps be better inferred from the titles of some of the dialogues. Among others, we have "To export money, our great advantage;"—"The French trade a profitable trade;"—"Variety of wares for all markets, a great advantage;"—"High living, a great improvement to the arts;"—"Invitation of foreign arts, a great advantage;"—"Multitudes of traders, a great advantage." But its influence was far too feeble to arrest the current of popular prejudice. In 1678, the year after its publication, the importation of French commodities was prohibited for three years. This prohibition, after being repealed, was re-enacted and made perpetual in the reign of William III., when the legislature declared that the trade with France was a *nuisance!*—a principle, if it may be so called, which was acted upon down to a very late epoch, with the exception of the short period during which the commercial treaty, negotiated in 1786, had effect.

Notwithstanding the endless variety of pursuits in which Sir William Petty was engaged, his discriminating and original genius enabled him to strike out new lights, and to make many valuable discoveries in them all. His treatise "On Taxes and Contributions," published in 1667,—his "*Quantulumcunque*," published in 1682,—his "Essays on Political Arithmetic," first published in 1687, and his "Political Anatomy of Ireland," published in 1691, are among the best of the political tracts of the seventeenth century, and contain many original remarks, and much curious and interesting information. He was one of the first to lay down, though only incidentally, the doctrine, that the value of commodities is determined by the labour required for their production. In his treatise "On Taxes and Contributions," he says, "If a man bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, the one is the natural

* Fortrey's pamphlet has been much referred to. It was published in 1663, and reprinted in 1673. It contains a good argument in favour of inclosures. The reference in the text sufficiently explains the opinions of the writer in regard to commerce.

price of the other; now, if, by reason of new and more easy mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings the bushel as it was before at five shillings, cæteris paribus. * * Let a hundred men work ten years upon corn, and the same number of men the same time upon silver; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn; and like parts of the one the price of like parts of the other;" and, in another place, he observes, "Corn will be twice as dear when there are two hundred husbandmen to do the same work which an hundred could perform." *

In the "*Quantulumcunque*," the subject of money is treated with great ability, and the idea that a country may be drained of cash by an unfavourable balance, successfully exposed. Petty has also strongly condemned the laws regulating the rate of interest, observing that there might as well be laws to regulate the rate of exchange or of insurance. †

The essays on "Political Arithmetic" are too well known to require any particular notice. But the "Political Anatomy of Ireland," though perhaps the best of Petty's political works, is now comparatively neglected. This treatise is valuable alike for the accurate information it affords respecting the state of Ireland in the latter part of the seventeenth century, and for the judicious suggestions of the author, with a view to its improvement. He was fully aware of the benefits that would result from an incorporating union between Great Britain and Ireland, and from the establishment of a free intercourse between the two countries. Speaking of the act passed in 1664, prohibiting the importation of cattle and beef from Ireland, he asks, "If it be good for England to keep Ireland a distinct kingdom, why do not the predominant party in Parliament, suppose the western members, make England beyond Trent another kingdom, and take tolls and customs upon the borders? Or why was there ever any union between England and Wales? And why may not the entire kingdom of England be further cantonised for the advantage of all parties?" ‡

But a tract, entitled, "Discourses on Trade, principally directed to the Cases of Interest, Coynage, Clipping, and Increase of Money," written by Sir Dudley North, and published in 1691, contains a far more able statement of the true principles of commerce than any that had previously appeared. North is throughout the intelligent advocate of all the great principles of commercial freedom. He is not, like the most eminent of his predecessors, well informed on one subject, and erroneous on another. His system is consistent and complete. He shows, that in commercial matters, nations have the same interests as individuals; and forcibly exposes the absurdity of supposing, that any trade advantageous to the merchant can be injurious to the public. His opinions respecting a seignorage on the coinage of money, and the advantage of sumptuary laws, then very popular, are equally enlightened.

The leading principles embodied in this tract are announced in the preface, as follows:—

"That the whole world as to trade is but as one nation or people, and therein nations are as persons.

"That the loss of a trade with one nation is not that only, separately considered, but so much of the trade of the world rescinded and lost, for all is combined together.

* Treatise on Taxes and Contributions, ed. 1679, pp. 31. 24. and 67.

† Pp. 3. 6. 8. orig. edit. ‡ P. 34, edit. 1719.

"That there can be no trade unprofitable to the public; for if any prove so, men leave it off; and wherever the traders thrive, the public, of which they are a part, thrive also.

"That to force men to deal in any prescribed manner may profit such as happen to serve them; but the public gains not, because it is taken from one subject to give to another.

"That no laws can set prices in trade, the rates of which must and will make themselves. But when such laws do happen to lay any hold, it is so much impediment to trade, and therefore prejudicial.

"That money is a merchandise, whereof there may be a glut, as well as a scarcity, and that even to an inconvenience.

"That a people cannot want money to serve the ordinary dealing, and more than enough they will not have.

"That no man will be the richer for the making much money, nor have any part of it, but as he buys it for an equivalent price.

"That the free coynage is a perpetual motion found out, whereby to melt and coyn without ceasing, and so to feed goldsmiths and coyners at the public charge.

"That debasing the coyn is defrauding one another, and to the public there is no sort of advantage from it; for that admits no character, or value. but intrinsic.

"That the sinking by alloy or weight is all one.

"That exchange and ready money are the same, nothing but carriage and re-carriage being saved.

"That money exported in trade is an increase to the wealth of the nation; but spent in war, and payments abroad, is so much impoverishment.

"In short, that all favour to one trade, or interest, is an abuse, and cuts so much of profit from the public."

Unluckily this admirable tract never obtained any considerable circulation. It was supposed indeed, on apparently good grounds, to have been designedly suppressed.* And having speedily become excessively scarce, was never referred to by any subsequent writer on commerce till after it had been noticed in the first edition of this Discourse.

It is material to observe, that none of the authors of the previously mentioned works, appear ever to have attempted carefully to investigate the real sources of wealth, or to show how they might be rendered most productive. It has been seen that some of them were fully aware that wealth did not depend on the mere abundance of gold and silver, but on that of all sorts of useful and desirable products; and that they distinctly laid down and ably supported the grand principle of commercial freedom. But here they appear to have stopped short. None of them undertook to analyze the means by which wealth is produced, or by which new forms and qualities are given to the raw products of nature, and they are rendered capable of ministering to our wants and desires. And with the single exception of Sir William Petty, who only slightly touched on the subject, none of them explored the sources whence they derive their value, or capacity of exchanging for or buying others. These, however, are plainly the most elementary and fundamental inquiries in the science; and, if it could be said to exist at all, it is, at all events, quite evident it could not assume a systematic shape until some considerable progress had been made in their elucidation.

* See the Hon. Roger North's *Life* of his Brother, the Hon. Sir Dudley North, p. 179.

Hobbes seems to have been one of the first who was fully impressed with a conviction of the paramount importance of labour in the production of wealth. At the commencement of the 24th chapter * of the *Leviathan*, published in 1651, he says, "The *nutrition* of a commonwealth consisteth in the *plenty* and *distribution* of *materials* conducing to life.

"As for the plenty of matter, it is a thing limited by nature to those commodities which, from (the two breasts of our common mother) *land* and *sea*, God usually either freely giveth, or for labour selleth to mankind.

"For the matter of this nutriment, consisting in animals, vegetables, minerals, God hath freely laid them before us, in or near to the face of the earth; so as there needeth no more but the labour and industry of receiving them. Insomuch that *plenty dependeth* (next to God's favour) *on the labour and industry of man.*"

Locke, however, had a much clearer apprehension of this doctrine. In his *Essay on Civil Government*, published in 1689, he has entered into a discriminating and able analysis to show that it is from labour that the products of the earth derive almost all their value. "Let any one consider," says he, "what the difference is between an acre of land planted with tobacco or sugar, sown with wheat or barley, and an acre of the same land lying in common, without any husbandry upon it, and he will find that the improvement of labour makes the far greater part of the value. I think it will be but a very modest computation to say, that of the products of the earth useful to the life of man, *nine-tenths* are the effects of labour; nay, if we will rightly consider things as they come to our use, and cast up the several expenses about them, what in them is purely owing to nature, and what to labour, we shall find, that in most of them *ninety-nine hundredths* are wholly to be put on the account of labour.

"To make this a little clearer, let us but trace some of the ordinary provisions of life through their several progresses, before they come to our use, and see how much they receive of their value from human industry. Bread, wine, and cloth, are things of daily use, and great plenty; yet, notwithstanding, acorns, water, and leaves or skins, must be our bread, drink, and clothing, did not labour furnish us with these more useful commodities; for whatever bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins, or moss, that is solely owing to labour and industry; the one of these being the food and raiment which unassisted nature furnishes us with; the other provisions which our industry and pains prepare for us; which how much they exceed the other in value, when any one hath computed, he will then see how much labour makes the far greatest part of the value of things we enjoy in this world; and the ground which produces the materials is scarce to be reckoned in as any, or, at most, but a very small part of it; so little, that even amongst us, land that is wholly left to nature that hath no improvement of pasturage, tillage, or planting, is called, as indeed it is, *waste;* and we shall find the benefit of it amount to little more than nothing.

"An acre of land that bears here twenty bushels of wheat, and another in America, which, with the same husbandry, would do the like, are, without doubt, of the same natural intrinsic value (utility). But yet, the benefit mankind receives from the one in a year is worth 5*l.*, and from the other possibly not worth *one penny;* if all the profit an Indian received from it were to be valued and sold here, at least I may truly say, not $\frac{1}{1000}$. 'Tis labour,

* *Of the Nutrition and Procreation of a Commonwealth.*

then, which put the greatest part of the value upon land, *without which it would scarcely be worth any thing.* 'Tis to that we owe the greatest part of all its useful products; for all that the straw, bran, bread, of that acre of wheat, is more worth than the product of an acre of good land, which lies waste, is all the effect of labour. For 'tis not merely the ploughman's pains, the reaper's and thrasher's toil, and the baker's sweat, is to be counted into the bread we eat; the labour of those who broke the oxen, who digged and wrought the iron and stones, who felled and framed the timber employed about the plough, mill, oven, or any other utensils, which are a vast number, requisite to this corn, from its being seed to be sown, to its being made bread, must all be charged on the account of *labour*, and received as an effect of that: nature and the earth furnishing only the almost worthless materials as in themselves.—'Twould be a strange catalogue of things that industry provided and made use of about every loaf of bread, before it came to our use, if we could trace them. Iron, wood, leather, barks, timber, stone, brick, coals, lime, cloth, dyeing-drugs, pitch, tar, masts, ropes, and all the materials made use of in the ship that brought away the commodities made use of by any of the workmen, to any part of the work; all of which, 'twould be almost impossible, at least, too long to reckon up."*

Locke has here all but established the fundamental principle which lies at the bottom of the science of wealth. Had he carried his analysis a little further, he could hardly have failed to perceive that water, leaves, skins, and other spontaneous productions of nature, have no value, except what they owe to the labour required for their appropriation. The value of water to a man on the bank of a river depends on the labour necessary to raise it to his lips; and its value, when carried ten or twenty miles off, is equally dependent on the labour necessary to convey it there. Nature is not niggard or parsimonious. Her rude products, powers, and capacities are all offered gratuitously to man. She neither demands nor receives an equivalent for her favours. An object which may be appropriated or adapted to our use, without any voluntary labour on our part, may be of the very highest utility; but, as it is the free gift of nature, it is quite impossible it can have the smallest value.†

Shortly after the publication of the Essay on Civil Government, Locke engaged in the controversy relative to the great re-coinage in the reign

* *Of Civil Government*, Book II. sect. 40, 41, 42, 43. This is a very remarkable passage. It contains a far more distinct and comprehensive statement of the fundamental doctrine, that labour is the constituent principle of value, than is to be found in any other writer previous to Dr. Smith, or than is to be found even in the *Wealth of Nations*. But Locke does not seem to have been aware of the value of the principle he had elucidated, and has not deduced from it any important practical conclusion. On the contrary, in his tract on *Raising the Value of Money*, published in 1691, he lays it down broadly that all taxes, however imposed, fall ultimately on the land; whereas, it is plain he ought, consistently with the above principle, to have shown that they would fall generally on the produce of industry, or on all species of commodities.

† Say appears to think (*Discours Preliminaire*, p. 37) that Galiani was the first who showed, in his treatise *Della Moneta*, published in 1750, that labour is the only source of wealth. But the passages now laid before the reader prove the erroneousness of this opinion. Galiani has entered into no analysis or argument to prove the correctness of his statement; and, as it appears from other parts of his work, that he was well acquainted with Locke's Tracts on Money, a suspicion naturally arises that he had seen the Essay on Civil Government, and that he was really indebted to it for a knowledge of this principle. This suspicion derives strength from the circumstance of Galiani being still less aware than Locke of the value of the discovery.—See *Trattato Della Moneta*, p. 39, ediz. 1780.

of William III. His tracts on money were published in 1691 and 1695.* They immediately obtained a very extensive circulation; and, though infected with some very grave errors, they powerfully contributed to prevent Mr. Lowndes's proposal for degrading the standard from being carried into effect, and to establish the true theory of money. The restoration of the currency was not, however, effected without much opposition. A large minority in Parliament supported Lowndes's views; and they were also supported by a number of writers. Mr Nicholas Barbon, in a tract, entitled, "A Discourse concerning Coining the New Money Lighter," published in 1696, pointed out some of the errors into which Locke had fallen. He, also, demonstrated the fallacy of the popular opinions respecting the balance of trade, and showed that bullion is never sent abroad in payment of an unfavourable balance, unless it be at the time the cheapest and most profitable article of export.

But although Barbon had sagacity to perceive that bullion differed in no respect from other commodities, he contended that the value of coins chiefly depends on the stamp affixed to them by government! This extraordinary error destroyed the effect of his tract; and was, most probably, the cause of the oblivion into which it very soon fell, and of its never having attracted that attention to which, on other accounts, it was justly entitled.

A violent controversy was carried on for some years previously to 1700, respecting the importation of East Indian silks and cotton stuffs. Those who wished to prevent their importation, had recourse to the arguments uniformly resorted to on such occasions; affirming that the substitution of Indian for English goods had occasioned the ruin of a large proportion of our manufacturers, the exportation of the coin and the general impoverishment of the country! The merchants engaged in the trade with India could not, as had previously happened to them in the controversy in regard to the export of bullion, defeat these arguments without attacking the principles on which they rested, and maintaining in opposition to them, that it was for the public advantage to buy whatever might be wanted in the cheapest market. This sound principle was, consequently, embodied in various petitions laid before Parliament by the importers of Indian goods; and it was also enforced in several publications. Of these, an anonymous tract, entitled, "Considerations on the East India Trade," printed in 1701, is one of the best. It is written with no common talent. The author has endeavoured to refute the various arguments advanced to justify the prohibition of East Indian goods, and has also made some statements strikingly illustrative of the advantages of the division of labour, and the employment of machinery.

In answer to the objection that the goods brought from India are produced by the labour of fewer hands than those made in England, and that by allowing them to be imported, some of our people must be thrown out of employment, we have the following statements:—

"The East India trade destroys no profitable English manufacture; it deprives the people of no employment which we should wish to be preserved. The foundation of this complaint is that manufactures are procured from the East Indies by the labour of fewer people than are necessary to make the like in England; and this shall be admitted. Hence it follows that to reject

* Considerations on the Lowering of Interest and Raising the Value of Money, 1691. Further Considerations concerning Raising the Value of Money, 1695.

the Indian manufactures that like may be made by the labour of more hands in England, is to employ many to do the work that may be done as well by few; is to employ all, more than necessary to procure such things from the East Indies, to do work that may be done as well without them.

"A saw-mill with a pair or two of hands will split as many boards as thirty men without this mill; if, then, the use of this mill shall be rejected, that thirty may be employed to do the work, eight and twenty are employed more than are necessary, or are employed to do the work that may be as well done without 'em. So if by any art, or trade, or engine, the labour of one can produce as much for our consumption, or other use, as can otherwise be procured by the labour of three; if this art, or trade, or engine shall be rejected, if three shall rather be employed to do the work, two are employed more than are necessary, or to the profit of the kingdom. For, if the providence of God should provide corn for England as manna heretofore for Israel, the people would not be well employed to plough, and sow, and reap, for no more corn than might be had without this labour. Wherefore to employ more hands to manufacture things in England than are necessary to procure the like from India, is to employ so many to no profit that might otherwise be profitably employed. For there can be no want of profitable employment so long as England is not built, beautified, and improved to the utmost perfection; so long as we either have or can produce any thing that others want, or that they have any thing that we want.

"We are very fond of being restrained to the consumption of English manufactures, and, therefore, contrive laws, either directly or by high customs, to prohibit all that come from India. By this time 'tis easy to see some of the natural consequences of this prohibition:—

"'Tis to oblige things to be provided by the labour of many, which might as well be done by few; 'tis to oblige many to labour to no purpose, to no profit of the kingdom, nay, to throw away their labour, which otherwise might be profitable. 'Tis to provide the conveniences of life at the dearest and most expensive rates, to labour for things that might be had without. 'Tis all one as to bid us refuse bread or clothes, tho' the providence of God, or bounty of our neighbours, should bestow them on us; 'tis all one as to destroy an engine or a navigable river, that the work which is done by few may rather be done by many.

"As often as I consider these things, I am ready to say with myself, that God has bestowed his blessings upon men that have neither hearts nor skill to use them. For, why are we surrounded with the sea? Surely that our wants at home might be supplied by our navigation into other countries. By this we taste the spices of Arabia, yet never feel the scorching sun which brings them forth; we shine in silks which our hands have never wrought; we drink of vineyards which we never planted; the treasures of those mines are ours, in which we have never digged; we only plough the deep and reap the harvests of every country in the world."*

But these arguments, how unanswerable soever they may now appear, made but little impression when they were published; and an Act was soon after passed prohibiting the importation of manufactured Indian goods for home consumption.

The commercial and financial writings of Dr. Davenant, Inspector-General

* Pp. 51, 52, &c. It is probable that Addison had in his eye the concluding paragraph now quoted when he wrote his admirable paper on Commerce. See Spectator, No. 69

of Imports and Exports in the reign of Queen Anne, were published in the interval between 1695 and 1711. Though a partisan of the mercantile system, Davenant was free from some of the prejudices of its more indiscriminate and zealous supporters. He considers a watchful attention to the balance of trade, and its "right government," as of the highest importance; but wealth, in his estimation, does not consist exclusively of gold and silver, nor does he recommend that prohibitions and restrictions should be rashly imposed, even on the intercourse with those countries with which the balance is supposed to be unfavourable. There are, however, but slender grounds for thinking that his writings deserve the eulogies formerly bestowed on them, or that they materially hastened the progress of commercial science. They contain little that may not be found in the work of Sir Josiah Child. Some detached paragraphs are exceedingly good; but the treatises of which they form a part are remarkably inconclusive, and are for the most part pervaded by the narrowest and most illiberal views. There is no evidence to show that Davenant had ever reflected on the influence of commerce in facilitating the production of wealth, by enabling the division of labour to be carried to its fullest extent; that is, by its enabling the people of different countries to apply themselves, in preference, to those employments for the prosecution of which they have some natural or acquired advantage.*

In 1734, Jacob Vanderlint, who calls himself a tradesman, published a tract, entitled "Money answers all things." Dugald Stewart has referred to it in the Appendix to his "Life of Dr. Smith," and has quoted some passages illustrative of the advantages of commercial freedom, which he truly says, "will bear a comparison, both in point of good sense and of liberality, with what was so ably urged by Mr. Hume twenty years afterwards, in his 'Essay on the Jealousy of Trade.'" Vanderlint closes his pamphlet with an argument in favour of the repeal of the existing taxes, and the substitution in their stead of a territorial tax, an idea borrowed from Locke, and subsequently adopted by the French economists.

In 1744, Mr. William Richardson, an extensive merchant, published his "Essay on the Causes of the Decline of Foreign Trade."† This essay has been frequently referred to by Dr. Smith, and it deserved his notice. Richardson is an intelligent and uncompromising enemy of restrictions, monopolies, and prohibitions. To give full freedom to industry, he proposed that the privileges of corporations should be abolished; and the existing taxes repealed, and replaced by a single tax laid on the consumers of luxuries, proportionally to their incomes. The following extracts will give an idea of the spirit which pervades the work, and of the ability with which it is written:—

* The progress of liberal opinions with regard to commerce seems to have been in no small degree counteracted by the publication of the *British Merchant*. This work was written by some of the first merchants of the time, and was intended to expose the alleged defects in the commercial treaty with France negotiated by Queen Anne's Tory administration in 1713. It consists of a series of papers published weekly, and afterwards collected in three volumes. Public opinion being very much against the treaty, the *British Merchant* enjoyed a large share of popularity. Its authors appear to have been thoroughly imbued with all the prejudices of the mercantile sect; and the work is now only deserving of notice as containing the fullest exposition of their peculiar doctrines.

† This work has been ascribed by Dr. Smith and others, but erroneously, to Sir Matthew Decker.—See Literature of Political Economy, p. 329.

"Trade cannot, will not, be forced: let other nations prohibit, by what severity they please, interest will prevail; they may embarrass their own trade, but cannot hurt a nation, whose trade is free, so much as themselves. Spain has prohibited our woollens; but, had a reduction of our taxes brought them to their natural value only, they would be the cheapest in Europe of their goodness, consequently must be more demanded by the Spaniards, be smuggled into their country in spite of their government, and sold at better prices; their people would be dearer clothed, with duties and prohibitions, than without, consequently must sell their oil, wine, and other commodities, dearer; whereby other nations, raising the like growths, would gain ground upon them, and their balance of trade grow less and less. But should we, for that reason, prohibit their commodities? By no means; for the dearer they grow, no more than what are just necessary will be used; their prohibition does their own business; some may be necessary for us; what are so, we should not make dearer to our own people; some may be proper to assort cargoes for other countries, and why should we prohibit our people that advantage? *Why hurt ourselves to hurt the Spaniards?* If we would retaliate effectually upon them for their ill-intent, handsome premiums given to our plantations to raise the same growths as Spain might enable them to supply us cheaper than the Spaniards could do, and establish a trade they could never return. Premiums may gain trade, *but prohibitions will destroy it.*"*

Richardson applies the same argument to expose the folly and injurious influence of the restraints on the trade with France. "Would any wise dealer in London," he asks, "buy goods of a Dutch shopkeeper for 15d. or 18d. when he could have the same from a French shopkeeper for 1s.? Would he not consider that, by so doing, he would empty his own pockets the sooner, and that, in the end, he would greatly injure his own family by such whims? And shall this nation commit an absurdity that stares every private man in the face? * * * The certain way to be secure is to be more powerful, that is, to extend our trade as far as it is capable of; and, as restraints have proved its ruin, to reject them, and depend on freedom for our security; bidding defiance to the French, or any nation in Europe, that took umbrage at our exerting our natural advantages." †

Hume's "Political Essays" appeared in 1752. Among them are essays on Commerce, Interest, Balance of Trade, Jealousy of Trade, Public Credit, The Populousness of Ancient Nations, &c. They display the same felicity of style and illustration that distinguish the other works of their illustrious author. The last-mentioned essay is one of the finest specimens ever published of an inquiry into the public economy of the ancients. His views of the commercial intercourse that should subsist among nations are enlightened and liberal; and he has successfully exposed the groundless nature of the prejudices that were then entertained against a free intercourse with France, and the fear of being deprived of a sufficient supply of bullion were the restraints on its exportation withdrawn. It did not, however, enter into Hume's plan to inquire systematically into the influence of commerce, or to analyse the sources of wealth. Mr. Harris endeavoured to supply the latter deficiency; and his "Essay upon Money and Coins," published in 1757, is one of the best economical treatises that preceded the "Wealth of Nations." The mistake into which Harris fell in supposing that it is profitable to import

* P. 163. † P. 184.

durable rather than rapidly consumable commodities, has been already noticed; and, as a writer on commerce, he is undoubtedly very inferior to Sir Dudley North and Mr. Richardson. But the able way in which he has treated the subject of money, and shown the influence of the division of labour in facilitating production, and the near approach he has made to some of the fundamental doctrines of Smith, if they do not give him a pre-eminence, certainly place him in the first rank among his precursors.

The extensive treatise, entitled "An Inquiry into the Principles of Political Economy," by Sir James Steuart, was published in 1767, in two vols. 4to. Though intended to serve as an exposition, or systematic view, of the principles of the mercantile system, this work is by no means destitute of enlarged and ingenious views. The first book treats of the mutual action and reaction of population and agriculture, and contains several passages in which the true theory of population is set in the most striking light. There are, besides, many judicious observations interspersed throughout the rest of the work, more especially in those parts which treat of money and exchange. It must, however, be acknowledged that, even when sound, the statements and reasonings are singularly tedious and perplexed. Sir James had no clear idea of the real sources of wealth, or of the means by which they may be rendered most productive; and, even as an exposition of the mercantile system, his work is inferior to the *Lezioni* of Genovesi, published three years previously. Though well acquainted with Sir James Steuart, Smith has not once referred to his treatise; and, if we except those parts of the first book which treat of population, he could have gleaned little from it, that he might not have found in other works.

We have treated thus fully of the progress of economical science in England, partly on account of the interest of the subject, which has hitherto been very imperfectly investigated; and partly because it was necessary, in order to form a fair estimate of the merits of Dr. Smith, to show what had been accomplished previously to the publication of the "Wealth of Nations." * Say, and other continental writers, claim for the Italians and French the honour of being the first to discover and establish the correct principles of commercial intercourse. But the details now given seem to leave little doubt in regard to the priority of the English. The works of the early Italian economists, Davanzati, Serra, Turbulo, and Scaruffi, are principally occupied with discussions respecting the influence of a reduction of the standard of money.† They deserve credit for having opposed all tampering with the

* It will readily occur that, among the immense number of tracts on commercial and financial subjects, published in the seventeenth century, and during the early part of the eighteenth, there must be many, besides those referred to above, in which sound principles are occasionally advanced; but it is believed that most of those have now been specified in which the distinguishing and peculiar prejudices of the age were openly attacked, or in which any of those germinal truths were elicited that have subsequently served as the foundation of systems. There are many interesting passages, and just and valuable remarks, in the tracts of Misselden, Lewis Roberts, Roger Coke, Graunt, &c., and in the *Britannia Languens*, and other anonymous publications; but none of them seem to bear so directly on the principles of the science as those quoted in the text.

† The work of Serra, published in 1613, must be in part exempted from this remark; and it is worthy of attention for the liberality and correctness of many of its views. Pecchio ("Storia della Economia Pubblica in Italia," p. 61.), and some other Italian writers, contend, indeed, that Serra should be regarded as the founder of the true theory of political economy; but, without denying his merit, it is clear he can have no well-founded pretensions to any such distinction. His analysis of the sources of wealth is altogether faulty; and, in proof of this,

currency; but the arguments they employ to show its injustice and impolicy are stated with far greater brevity, and at least equal force, in Sir Robert Cotton's speech* before the privy Council in 1626. The *Discorso Economico* of Bandini, the earliest commercial writer whose writings have been thought worthy of a place in the voluminous collection of Italian works on political economy,† was published so late as 1737. The essays of Belloni and Algarotti *On Commerce*, both very inferior to those of Sir Josiah Child and Sir Dudley North, were published, the former in 1750, and the latter in 1763.

The French have still less claim than the Italians to the discovery of the true principles of commerce. The "Détail de la France," an anonymous publication, by Pierre le Pesant, Seigneur de Bois Guilbert, published in 1695, is, perhaps, the earliest French work in which sound principles are laid down, respecting money, commerce, and taxation. It is prolix and ill-arranged; but it is worthy of attention, if not for its general views, for the authentic information it communicates in regard to the state of France at the period when it was written, and the sentiments that intelligent persons were then beginning to entertain respecting the system of administration. Guilbert is particularly hostile to the restraints on the corn trade; and he exposed the inequality and injurious operation of the *taille*, tithe, and other burdens, with a freedom and boldness that alarmed those interested in their support. In consequence of the enmity thus excited, he was deprived of his place of Advocate-General in the *Cour des Aides* of Normandy, and exiled to a distant part of the kingdom, where he ended his days in disgrace and poverty—a victim to the vindictive spirit of the clergy and nobility.

Twelve years after the publication of the "Détail de la France," appeared the "Dixme Royale" of Marshal Vauban, a work creditable alike to the heart and head of its celebrated author. Though high in the favour of Louis XIV., who had advanced him to the first dignities of the state, Vau-

it is only necessary to mention that, in his estimation, manufacturing industry is far more important and valuable than agriculture! It is needless to say any thing of his opinions as to commerce: it will not be pretended that they are more liberal than those we have seen were embodied in a public document put forth by the government of England sixty years before his book was published. It is admitted, too, that his work made no impression whatever; that it was all but unknown to his contemporaries, and totally so to their descendants. (Pecchio, *in loc. cit.*; and Galliani, "Della Moneta," p. 410.)

* This speech was originally printed in 1641 as the speech of Sir Thomas Rowe at the Council table in July 1640, with respect to brass money; but there is not a sentence in the speech that has any reference to any such subject, the whole relating to a project for enfeebling the standard of the coin. It was again printed in 1651, with some additions, as the speech of Sir Robert Cotton at the Council table, the 2d September 1626; and, as it is known that a project for reducing the standard was then entertained, it seems most probable that Sir R. Cotton was its real author. But to whichever of these learned persons the honour may belong of making this speech, it is not too much to say that the injustice and impolicy of debasing the standard have never been more successfully demonstrated.

A "Discourse of Coin and Coinage," by Rice Vaughan, Esq., was published in 12mo, in 1675. This is a very complete and valuable treatise; and is, indeed, inferior to few that have since appeared. We learn from the dedication that it was a posthumous publication, and had most probably been written several years previously.

The *Traité Historique des Monnoyes de France*, by Leblanc, published in 1689, is one of the best of the early treatises on money. It contains a vast deal of information with respect to the history of French money, and the successive changes and debasements it has undergone from the earliest ages of the monarchy.

† *Scrittori Classici Italiani di Economia Politica.* This collection of the works of her economical writers does honour to Italy. It was begun in 1803, and finished in 1805, in 50 volumes 8vo, under the patronage of Napoleon.

ban did not suffer his gratitude to his Prince to efface his sense of the duty which he owed to his country. In this treatise, of which he placed a manuscript copy in the hands of the King, he has borne, in express terms, unequivocal testimony to the truth of the statements of Guilbert, relating to the inequality of taxation, and the frauds and extortion practised by those employed in the collection of the revenue: and, not satisfied with this, he has added many details of his own, to prove the miserable state to which the people were reduced by means of these abuses, and of the increased demands made upon them through the rapidly increasing wants of the state. To remedy these grievances, and especially to get rid of the exemptions from taxation enjoyed by the nobility and clergy, Vauban proposed that all existing taxes should be repealed, and replaced by a single tax, or *Dixme Royale*, made to press equally on every part of the kingdom. It is unnecessary to enter into any details with respect to this project. When brought forward, its enemies contended, that it was impracticable; and it is now very generally allowed that in this, at least, they were in the right. The Marshal died about the time that his work appeared; and, but for this, it may be doubted, considering the power and influence of those whose privileges and oppressive proceedings he had so boldly attacked and exposed, whether his unimpeachable integrity, his services as the greatest of engineers, or his credit at Court, could have saved him from a fate similar to that of Guilbert.*

It should, however, be observed, that the works of Guilbert and Vauban have more of a political than of an economical character: And though they embody many just and liberal principles, and much valuable information, they are not generally reckoned, even by the French, among the writers who contributed to the establishment of sound commercial doctrines.

It might have been supposed that the disordered state of the finances in the latter part of the reign of Louis XIV., the projects of Law, and the bankruptcy in which they terminated, would have enabled the French writers, by whom these subjects were discussed, to throw considerable light on many parts of the theory of money and taxation. But this does not appear to have been the case. With the exception, indeed, of a Memoir on the state of the Finances, at the death of Louis XIV., by a Committee of the Council of State, and a Memoir subsequently presented by Law to the Regent, which contains some just, intermingled with many erroneous, views,† none of the tracts published at that period, which we have been fortunate enough to meet with, deserve any particular notice. So slow was the progress of correct information upon these subjects in France, that even Montesquieu has a chapter entitled "*A quelles nations il est désavantageux de faire le commerce.*" ‡

M. de Gournay, Intendant of Commerce in France, about the middle of

* The *Dixme Royale* was published in 4to, at Rouen, in 1707. Marshal Vauban died 30th March, same year.

† These "Memoirs" are printed in the last volume of the "Recherches et Considérations sur les Finances de France," by Forbonnais. The principles advanced in Law's *Mémoire* are substantially the same with those he had previously developed in his Treatise entitled "Money and Trade Considered," published at Edinburgh in 1705.

‡ Maupertuis, in his "Eloge de Montesquieu," candidly admits that France is indebted for the science of commerce, finance, and population, or of political economy, to England. The passage is curious:—"Comme le plan de Montesquieu," he observes, "renfermoit tout ce qui peut être utile au genre humain, il n'a pas oublié cette partie essentielle qui regarde le commerce, les finances, la population: science *si nouvelle parmi nous*, qu'elle n'y a encore point de nom. C'est *chez nos voisins qu'elle est née; et elle y demeura jusqu'à ce que M. Melon lui fit passer la mer.*"

The "Essai Politique sur le Commerce," by Melon, was published in 1734. It is entirely

last century, is said by his contemporaries to have entertained the most enlightened opinions on commercial subjects; and, by his station and reputation for talent, to have done much to disseminate them among his countrymen. De Gournay did not publish any work of his own, but he assisted in the compilation of several; and a translation of Sir Josiah Child's Treatise, from his pen, appeared at Paris in 1752.

We are, however, inclined to think that the "Essai sur la Police des Grains," by M. Herbert, Berlin (Paris), 1754, should be placed at the head of all the commercial treatises that had appeared either in France or any where else on the Continent, previously to the æra of Quesnay and the Economists. It is, in all respects, an excellent work; is clearly and ably written; and contains all the arguments that could be advanced to show the pernicious influence of restrictions on the corn trade, and the advantages of freedom, with the exception of those deduced from the new doctrines respecting rent and profits.

But the efforts hitherto made by the English and continental writers, though they had shaken some of its outworks, were ineffectual to the subversion of the mercantile system. Their opinions respecting the nature of wealth were confused and contradictory; and, as they neither attempted to investigate its sources with sufficient care, nor to trace the causes of national opulence, their arguments in favour of a liberal system of commerce had somewhat of an empirical aspect, and failed of making the impression that is always made by reasonings logically deduced from well-established principles, and shown to be consistent with experience. Locke, as has been already seen, demonstrated the paramount influence of labour in the production of wealth; but he did not prosecute his investigations in the view of elucidating the principles of the science, and made no reference to them in his subsequent writings. And, though Harris adopted Locke's views, and drew from them some important practical inferences, his general principles are merely introduced by way of preface to his Treatise on Money, and are not explained at sufficient length, or in the logical and systematic manner necessary in scientific investigations.

What had thus been left undone by his countrymen and others, was attempted, about the middle of the eighteenth century, by a French philosopher, equally distinguished for the subtlety and originality of his understanding, and the integrity and simplicity of his character. The celebrated M. Quesnay, a physician, attached to the court of Louis XV. has the merit of being the first who investigated and analysed the sources of wealth, with the intention of ascertaining the fundamental principles of political economy; and who, in consequence, gave it a systematic form, and raised it to the rank of a science. Quesnay's father was a small proprietor; and, having been educated in the country, he was naturally inclined to regard agriculture with more than ordinary partiality. At

founded on the principles of the mercantile system. Mr Bindon translated it into English, and published it, along with some rather valuable annotations and remarks, at Dublin in 1739.

Melon advocated the ruinous policy of raising the denomination of the coin. This led to the publication of a very acute work by Dutot, entitled, *Réflexions Politiques sur les Finances et le Commerce;* 2 tomes, 12mo, 1738. Dutot's work was in its turn ably criticised by Duverney, in his *Examen des Réflexions Politiques sur les Finances*, &c.; 2 tomes, 12mo, 1740. These works contain a great deal of interesting information respecting French finance Duverney's account of the *Mississippi Scheme* is particularly good.

an early period of life he was struck with its depressed state in France, and set himself to discover the causes which had prevented its making that progress, which the industry of the people, the fertility of the soil, and the excellence of the climate, seemed to insure. In the course of this inquiry, he speedily discovered that the prohibition of the exportation of corn, and the preference given in the policy of Colbert to the manufacturing and commercial classes, formed the most powerful obstacles to the progress and improvement of agriculture. But Quesnay was not satisfied with exposing the injustice of this preference, and its pernicious consequences: his zeal for the interests of agriculture led him, not merely to place it on the same level with manufactures and commerce, but to raise it above them, by endeavouring to show that it was the only species of industry that could increase the riches of a nation. Founding on the indisputable fact, that every thing that ministers to our wants or gratifies our desires must be originally derived from the land or the water, Quesnay assumed as a self-evident truth, and as the basis of his system, that the *earth is the only source of wealth*; and consequently that labour is incapable of producing any new value, unless when it is employed in agriculture, including therein fisheries and mines. The powerful influence of the vegetative powers of nature, and his inability to explain the origin and causes of rent, confirmed him in this opinion. The circumstance, that, of all who engage in industrious undertakings, none, save the cultivators of the soil, pay rent for the use of *natural agents*, appeared to him a convincing proof that agriculture is the only species of industry which yields a nett surplus (*produit net*) over and above the expenses of production. Quesnay allowed that manufacturers and merchants are highly useful; but, as they realise no nett surplus in the shape of rent, he contended that the value added by them to the products which they manufacture or carry from place to place is barely equivalent to the capital or stock they consume, or the expenses they incur, during the time they are necessarily engaged in these operations. These principles being established, Quesnay proceeded to divide society into three classes: the *first*, or *productive*, class, by whose agency all wealth is produced, consists of the farmers and labourers engaged in agriculture, who subsist on a portion of the produce of the land reserved to themselves as the wages of their labour, and as a reasonable profit on their capital; the *second*, or *proprietary*, class consists of those who live on the rent of the land, or on the nett surplus produce raised by the cultivators after their necessary expenses and profits have been deducted; and the *third*, or *unproductive* class, consists of manufacturers, merchants, menial servants, &c. who derive their entire subsistence from the wages paid them by the other two classes, and whose labour, though exceedingly useful, adds nothing to the national wealth. It is obvious, supposing this classification to be made on just principles, that all taxes must fall on the landlords. The third, or unproductive, class have nothing but what they receive from the other two classes, who pay them only what is required to enable them to subsist and continue their services; and were any deduction made from the fair and reasonable profits and wages of the husbandmen, it would paralyse their exertions, and spread poverty and misery throughout the land, by drying up the only source of wealth. It, therefore, necessarily follows, on Quesnay's theory, that the entire expenses of government, and every description of public burden, must, however imposed, be ultimately defrayed out of the *produit net*, or rent, of the landlords; and, consistently with this principle, he proposed that every existing

tax should be repealed, and that a single tax (*l'impot unique*) laid directly on the nett produce, or rent, of the land, should be imposed in their stead.

But, however much impressed with the superior importance of agriculture, Quesnay did not solicit for it any exclusive favour or protection. He successfully contended that the interests of the agriculturists, and of the other classes, would be best promoted by establishing a system of perfect freedom. "Qu'on maintienne," says he in one of his general maxims, "l'entière liberté du commerce; *car la police du commerce intérieur et extérieur la plus sure, la plus exacte, la plus profitable, à la nation et à l'état, consiste dans* LA PLEINE LIBERTÉ DE LA CONCURRENCE."* Quesnay showed that it can never be for the interest of the proprietors and cultivators of the soil to fetter or discourage merchants and manufacturers; for the greater their liberty, the greater will be their competition, and their services will, in consequence, be rendered so much the cheaper. Neither can it ever be for the interest of the unproductive class to harass and oppress the agriculturists, by preventing the free export of their products, or by subjecting them to restrictive regulations. When the cultivators enjoy the greatest degree of freedom, their industry, and, consequently, their nett surplus produce—the only fund whence any accession of national wealth can be derived—will be augmented to the greatest possible extent. According to this "liberal and generous system,"† the establishment of perfect liberty, security, and justice, is the only, as it is the infallible, means of securing the highest degree of prosperity to all classes of society.‡

"On a vu," says the ablest expositor of this system, M. Mercier de la

* *Physiocratie*, première partie, p. 119.

† *Wealth of Nations*, book iv. cap. 9.

‡ That Quesnay is entitled to the merit of originality cannot be disputed. He had certainly, however, been anticipated in several of his peculiar doctrines by some English writers of the previous century. The fundamental principles of the economical system are distinctly set forth in a tract entitled *Reasons for a limited Exportation of Wool*, published in 1677. "That it is of the greatest concern and interest of the nation," says the author of the tract, "to preserve the nobility, gentry, and those to whom the land of the country belongs, at least, much greater than a few artificers employed in working the superfluity of our wool, or the merchants who gain by the exportation of our manufactures, is manifest—1. Because they are the *masters and proprietaries of the foundation of all the wealth in this nation, all profit arising out of the ground which is theirs.* 2. *Because they bear all taxes and public burdens;* which, in truth, are only borne by those who buy, and sell not; all sellers, raising the price of their commodities, or abating of their goodness, according to their taxes."—p. 5.

In 1696 Mr Asgill published a treatise entitled *Several Assertions Proved, in order to Create another Species of Money than Gold*, in support of Dr. Chamberlayne's proposition for a Land Bank. The following extract from this treatise breathes, as Dugald Stewart has justly observed, in his Life of Dr. Smith, the very spirit of Quesnay's philosophy:—

"What we call commodities is nothing but land severed from the soil—*Man deals in nothing but earth.* The merchants are the factors of the world, to exchange one part of the earth for another. The king himself is fed by the labour of the ox: and the clothing of the army and victualling of the navy must all be paid for to the owner of the soil as the ultimate receiver. All things in the world are originally the produce of the ground, and there must all things be raised."—(This passage has been quoted in Lord Lauderdale's *Inquiry into the Nature and Origin of Public Wealth*, 2d ed. p. 109.)

These passages are interesting, as exhibiting the first germs of the theory of the Economists: but there is no ground for supposing that Quesnay was aware of the existence of either of the tracts referred to. The subjects treated of in them were of too local a description to excite the attention of foreigners; and Quesnay was too candid to conceal his obligations, had he really owed them any. It is probable he may have seen Locke's treatise on *Raising the Value of Money*, where the idea is thrown out that all taxes fall ultimately on the land; but there is an immeasurable difference between the suggestion of Locke and the well-digested and ingenious system of Quesnay.

Riviere, " qu'il est de l'essence de l'ordre que l'interet particulier d'un seul ne puisse jamais être separée de l'interet commun de tous ; nous en trouvons une preuve bien convaincante dans les effets que produit naturellement et necessairement la plénitude de la liberté qui doit regner dans le commerce, pour ne point blesser la propriété. L'interet personnel encouragée par cette grande liberté, presse vivement et perpetuellement chaque homme en particulier, de perfectionner, de multiplier les choses dont il est vendeur ; de grossir ainsi la masse des jouissances qu'il peut procurer aux autres hommes, afin de grossir, par ce moyen, la masse des jouissances que les autres hommes peuvent lui procurer en échange. *Le monde* alors *va de lui-même ;* le desir de jouir, et la liberté de jouir, ne cessant de provoquer la multiplication des productions et l'accroissement de l'industrie, ils impriment à toute la société, un mouvement qui devient une tendance perpetuelle vers son meilleur état possible."*

To enter into a full examination of the principles of this very ingenious theory would greatly exceed the limits of this Discourse. It is sufficient at present to remark, that, in assuming agriculture to be the only source of wealth, because the matter or substance of commodities must be originally derived from the earth, Quesnay and his followers mistook altogether the nature of production, and really supposed wealth to consist of matter; whereas, in its natural state, matter is very rarely possessed of any immediate or direct utility, and is always destitute of value. It is only through the labour expended on its appropriation, and in fitting and preparing it for being used, that matter acquires exchangeable value, and becomes wealth. The latter is not produced by adding to the matter of our globe, that being a quantity susceptible neither of augmentation nor diminution. All industrial operations are intended to create wealth by giving utility to existing materials; and it has been repeatedly demonstrated, that the labour employed in manufactures and commerce is in all respects as creative of utility, and consequently of wealth, as that employed in agriculture. Neither is the latter, as Quesnay supposed, the only species of industry which yields a surplus after the expenses of production are deducted. When none but the most fertile soils are cultivated, no rent, or *produit net*, is obtained from the land ; and it is only after recourse has been had to poorer soils, and when, consequently, the productive powers of the land newly employed in cultivation begin to diminish, that rent begins to appear : so that, instead of rent being a consequence of the superior productiveness of agricultural industry, it is merely a consequence of one piece of land being more productive than others.†

The *Tableau E'conomique*, a formulary constructed by Quesnay, to exhibit the various phenomena attendant on the production of wealth, and its distribution among the productive, proprietary, and unproductive classes, was published at Versailles, in 1758 ; and the novelty and ingenuity of the theory which it expounded, its systematic and scientific shape, and the liberal commercial policy which it recommended, speedily obtained for it a very high degree of reputation. It is to be regretted that the friends and disciples of Quesnay, among whom were the Marquis de Mirabeau, Mercier de la Riviere, Dupont de Nemours, Saint Peravy, Turgot, and other distinguished individuals, in France, Italy, and Germany, should, in their zeal for his peculiar doctrines, which they enthusiastically exerted themselves to defend

* *L'Ordre Naturel et Essentiel des Sociétés Politiques*, tome ii. p. 444.
† See the supplemental note on Rent.

and propagate, have exhibited more of the character of partisans, than of (what they really were) sincere and honest inquirers after truth. To this is to be ascribed the unusual sameness of their works,* and their being generally regarded as a sect known by the name of *Economists* or *Physiocrats*. It may, however, be truly said of them—

> Secta fuit, servare modum, finemque tenere,
> Naturamque sequi, patriæque impendere vitam;
> Nec sibi, sed toti genitum se credere mundo.

There can be no question, notwithstanding their defects, that the labours of the Economists powerfully contributed to the improvement of the science. After the publication of the *Tableau Economique*, it was found to be necessary, in reasoning on topics connected with national wealth, to subject its sources, and the laws which regulate its production and distribution, to a more accurate and searching analysis. In the course of this examination, it was speedily discovered that both the mercantile and economical theories were erroneous and defective; and that, to establish the science of wealth on a firm foundation, it was necessary to take a more extensive survey, and to seek for its principles, not in a few partial and distorted facts, or in metaphysical abstractions, but in the connection and relation subsisting among the various phenomena manifested in the progress of civilization. The Count di Verri, whose "*Meditazioni sulla Economia Politica*" were published in 1771, demonstrated the fallacy of the opinion entertained by the Economists respecting the superiority of agricultural labour; and showed that all industrial operations really resolve themselves into modifications of matter already in existence.† But Verri did not trace the consequences of this principle; and, having no clear and definite notions of what constituted wealth, he did not attempt to investigate the means by which its production might be facilitated. He made some valuable additions to particular branches of the

* The following are the principal works published by the Economists:—

Tableau Economique, et Maximes Générales du Gouvernement Economique, par Francois Quesnay, 4to. Versailles, 1758.

Théorie de l'Impôt, par M. de Mirabeau, 4to. and 12mo. 1760.

La Philosophie Rurale, par M. de Mirabeau, 4to. and 3 tomes 12mo. 1763.

L'Ordre Naturel et Essentiel des Sociétés Politiques, par Mercier de la Riviere, 4to. and 2 tomes 12mo. 1767.

Sur l'Origine et progrès d'une Science Nouvelle, brochure par Dupont de Nemours, 1767.

La Physiocratie, ou Constitution Naturelle du Gouvernement le plus avantageux au Genre Humain, Recueil des Principaux Ouvrages Economiques de M. Quesnay, rédigé et publié par Dupont de Nemours, 2 Parties, 1768.

Lettres d'un Citoyen à un Magistrat, sur les Vingtiemes et les autres Impots, par l'Abbé Baudeau, 12mo. 1768.

Mémoire sur les Effets de l'Impôt indirect; qui a remporté le Prix proposé par la Société Royale d'Agriculture de Limoges, par Saint Peravy, 12mo. 1768.

Réflexions sur la Formation, et la Distribution des Richesses, par Turgot, 8vo. 1771. This is the best of all the works founded on the principles of the Economists; and is, in some respects, the best work on Political Economy published previously to the Wealth of Nations.

The *Journal d'Agriculture, &c.* and the *Ephemerides du Citoyen*, contain a variety of valuable articles by Quesnay and other leading Economists. The *Ephemerides* was begun in 1767, and dropped in 1775; it was first conducted by the Abbe Baudeau, and then by Dupont.

† *Accostare et separare* sono gli unici elementi che l'ingegno umano ritrova analizando l'idea della riproduzione; e tanto è riproduzione di valore e di ricchezza se la terra, l'aria, e l'aqua ne' campi si trasmutino in grano, come se colla mano dell' uomo il gluttine di un insetto si trasmuti in velluto, o vero alcuni pezzetti di metallo si organizzino a formare una ripetizione.—*Meditazioni sulla Economia Politica*, § 3.

science, and had acuteness sufficient to detect errors in the systems of others; but the task of constructing a better system in their stead required talents of a far higher order.

II.—PUBLICATION OF THE "WEALTH OF NATIONS"—PRINCIPAL MERITS AND DEFECTS OF THAT WORK.

IN 1776, our illustrious countryman, Adam Smith, published the "Wealth of Nations," a work which has done for Political Economy what the Treatise of Grotius *de Jure Bélli ac Pacis*, did for public law. In this work the science was, for the first time, treated in its fullest extent. In opposition to the Economists, Smith has shown that labour is the real source of wealth; that the wish to augment our fortunes and to rise in the world,—"a wish that comes with us from the womb, and never leaves us till we go into the grave,"—is the cause of wealth being saved and accumulated; and that labour is productive of wealth, not only when it is employed in the cultivation of the land, but also when it is employed in manufactures and commerce. He has traced the various means by which labour may be rendered most effective; and has strikingly exhibited the prodigious additions made to its powers by its division among different individuals and countries, and by the employment of accumulated wealth, or capital, in industrious undertakings. He has also shown, in opposition to the popular opinions of his time, that wealth does not consist of gold and silver, but of the various necessaries, conveniences, and enjoyments of human life; that it is, in every case, sound policy to leave individuals to pursue their own interest in their own way; and that, when they prosecute branches of industry advantageous to themselves, they necessarily also prosecute such as are advantageous to the public. And he has farther shown, with a force of reasoning and an amplitude of illustration which leaves little to be desired, that the principles of the mercantile or exclusive system are at once inconsistent and absurd; and that all regulations intended to force industry into particular channels, or to determine the species of intercourse to be carried on between different parts of the same country, or between distant and independent countries, are impolitic and pernicious—subversive of the rights of individuals—and adverse to the progress of real opulence and lasting prosperity. "The statesman," he observes, "who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could only safely be trusted, not only to no single person, but to no senate or council whatever; and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it."*

But, however excellent, there are errors, and those too of no slight importance, even in those parts of the "Wealth of Nations" which treat of the production of wealth. So long as Smith confines himself to a statement of the advantages resulting from the freedom of industry, and of the mischiefs occasioned by the frequent attempts to fetter its operations, and to force it into certain channels in preference to others, his principles and reasonings are equally sound and conclusive; but they are less so in other instances. He does not say that those branches of industry which are found to be most

* Book iv. cap. 2.

for the advantage of individuals, are necessarily, also, most for the advantage of the public. His leaning to the system of the Economists—a leaning perceptible in every part of his work—made him so far swerve from his own principles, as to admit that individual and public advantage do not always coincide. He contends that agriculture, though not the only productive employment, is more productive than any one else; that the home trade is more productive than a direct foreign trade; and the latter than the carrying trade. It is clear, however, that these distinctions are entirely imaginary. A state being nothing but a collection of individuals, whatever is most advantageous to them individually must be so also to the collective body; and it is obvious, that the interest of the parties will always prevent them from engaging in manufactures and commerce, unless they yield as large profits, and are, consequently, as publicly beneficial as agriculture.

Dr. Smith made a very great improvement upon the system of the Economists, by showing that the labour of manufacturers and merchants is productive. But his theory on this important point is, notwithstanding, incomplete and defective. He limits his idea of productive labour to that which is "fixed and realised in some vendible commodity;" whereas all labour is plainly productive, which yields a return to the labourer without lessening the wealth of the society. It is only through the security and protection afforded by the exertions of some of those placed by Smith in the unproductive class, that the supply of those material products on which he exclusively fixed his attention, can ever become considerable, or that society can emerge from barbarism.

But the principal defect of the "Wealth of Nations," and the source of most of the errors by which it is infected, consists in the erroneous doctrines advanced with respect to the circumstances which determine the value of commodities and the rise and progress of rent. Smith has truly stated, that in the remote period which preceded the accumulation of capital, and the establishment of private property in land, the quantities of labour required to produce commodities determined their value in exchange, or worth as compared with each other. But he supposed that after capital had been accumulated, workmen been employed by others, and land been appropriated and let, the value of commodities no longer depended wholly on the labour required to produce them and bring them to market; but that it depended partly on it, and partly, also, on the amount of profit, wages, and rent; and that, supposing one or other of these elements to remain constant, their value would fluctuate according to the variations in the others—rising when they rose, and falling when they fell. In making this statement Smith forgot to remark, that the variations in question are, in fact, nothing but changes in the distribution of commodities; and being such they do not, in any degree, affect the circumstances which determine their value, or their power to exchange for or buy each other. An article A, produced by independent workmen, freely exchanges for, or is worth another, B, produced by similar workmen. Suppose now that these workmen hire themselves to capitalists, and work on their account: it is plain that this change will not occasion any difference in the relation of A and B, or in their value; and it is farther plain, that whether the wages paid to the workmen employed in producing these articles rise or fall, their value will remain wholly unaltered. Whatever exerts the same degree of influence over different commodities, leaves their comparative values exactly where it found them. To vary these, a change must be made in the circumstances under which some of them are produced which does not extend to others. So long as all

are equally affected—and Smith has shown that, generally speaking, variations in the rates of wages and profit affect them all to the same extent—their value cannot vary. The relative values of A and B will not be disturbed, unless the value of A be raised or depressed in a different ratio from that of B. This, however, can only be done by varying the quantity of labour required to produce the one or the other; for, it has been repeatedly shown, that variations in the rate of wages, or in the price paid for the labour by which A and B are produced, necessarily affect them, and, indeed, all other commodities, in the *same degree;** and cannot, consequently, occasion any change in their relation to each other, or in their value.

It is not, therefore, true, as is supposed throughout the "Wealth of Nations," that variations in the price or wages paid for labour have the same influence over the value or price of commodities as variations in the amount of such labour. The quantity of labour required to produce any one commodity may vary, as compared with that required to produce another; and every such variation will, of course, occasion a change in their relation to each other, or in their values. But wherever industry is free, variations of wages are never confined, for any lengthened period, to particular classes of workmen, but gradually extend, all things being taken into account, to every class: they cannot, consequently, modify or alter, in any material degree, the relations previously subsisting among commodities; and merely occasion a change in the proportions in which they are divided between the workmen and their masters.

It may also be worth while to remark, even in this brief sketch of the more prominent principles advanced by Smith, that he has endeavoured to show, that the value of corn is less subject to variation than that of any other commodity. He founds this opinion on the assumption that, corn being the principal article of food, its consumers increase and diminish proportionally to variations in its quantity, and that "the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour, or, what comes to the same thing, the price of nearly equal quantities."† (Book i. cap. 11.) There will be other opportunities of showing the fallacy of this doctrine; but it is obviously, at first sight, altogether untenable. Corn, though usually the principal, is not by any means the whole subsistence of the labourer, and its abundance or scarcity cannot, therefore, exclusively determine the increase or diminution of population: and it is farther evident, that when, in the less advanced stages of society, population being scanty, it is only necessary to cultivate the most fertile soils, the labour required to raise corn, and, of course, its value, will, *cæteris paribus*, be less than when population has become comparatively dense, and when, consequently, inferior lands must be cultivated.

Smith's views, with respect to the rent of land, are partly just and partly erroneous. His mistakes seem to be owing to his not having carefully analysed the circumstances which determine the value of raw produce at different periods. Had he done this, he would have seen that his doctrine, that

* It is here assumed, in order to exemplify the principle, that the capitals employed in the production of commodities are of the same degree of durability, or that they are returnable in the same period. We shall afterwards point out the influence that differences in the durability of capitals have on the value of the commodities produced by their agency.

† This is one of the many passages that might be produced to prove the identity which Dr. Smith uniformly supposes to exist between the quantity of labour required to produce a commodity, and the price paid for that quantity.

all land which yields food must, at the same time, yield rent, was not universally true. In colonies and other countries where none but the best soils are cultivated, and where, consequently, the greatest quantity of food is obtained in return for the same outlay, no rent is paid. And though there are some circumstances among those which occasion the rise and progress of rent, and which also limit its amount, that partake of the nature of monopoly, and might perhaps have justified Smith in considering it as being, in a modified sense, and under peculiar limitations, determined on that principle, it is notwithstanding certain, that the price of the raw produce grown upon land which pays rent, is uninfluenced by its payment, and would not be affected though it were entirely relinquished.*

In consequence of the incorrectness of Dr. Smith's opinions on two such important, and, indeed, fundamental points, as the source and measure of value, and the source and progress of rent, some of the principles which pervade other parts of his work are defective and unsound. This is particularly observable in his inquiry into the circumstances which determine wages and profits, and where he traces the incidence and practical operation of taxes. It is true, indeed, that these, like the other parts of his great work, are enriched with many valuable remarks and disquisitions. But it is necessary to separate between the latter and the theoretical doctrines with which they are sometimes mixed up. Those who implicitly adopt all Smith's principles, take for granted, that investigations which depend on a careful analysis and comparison of many circumstances that are constantly varying and exceedingly difficult to be correctly appreciated, could be completed by the efforts of one individual. This, however, is to suppose what is in the nature of things all but impossible. *Nulla est ars quæ singulari consummatâ sit ingenio.*† It is only by slow degrees, by the aid of the lights successively struck out by experience and observation, and the continued researches of the most ingenious men, that sciences involving so many considerations are perfected.

Previously to the publication of the "Wealth of Nations," it was generally concluded that the prices of commodities depended on their scarcity or abundance, or, as it was more commonly expressed, on the proportion which their supply bore to the demand. But Smith has shown that as regards the great bulk of commodities, or those of which the supply may be indefinitely increased according to the demand, this principle holds only for very limited periods; and that, at an average, their market price corresponds with their necessary price, or with the *cost of their production*. And though he erred in estimating the elements which enter into and form this necessary or natural price, the arguments by which he has shown its general identity with the market price, and how the discrepancies that occasionally take place between them are corrected, are alike conclusive and ingenious.

Some of the most valuable chapters in the "Wealth of Nations" are those which show, that the differences between the profits realised by the parties who employ capital in different businesses, and the wages of those engaged in them, are not real but apparent; that these differences depend on peculiar circumstances connected with each business; and that, allowing for these, and reducing them all to a common standard, profits and

* The errors of Dr. Smith in regard to rent are the more remarkable, as its true theory was explained with singular clearness and ability in a pamphlet published by Dr. Anderson in 1777 (An Inquiry into the Nature of the Corn Laws, Edinburgh, 1777), seven years before Dr. Smith published the third edition of the "Wealth of Nations" in 1784, to which he made several important additions. See supplemental note on Rent.

† Columella, De Re Rustica, lib. i.

wages are found to be respectively the same, or very nearly the same, in them all. High profits in a particular trade are occasioned by the extraordinary risk to which the capital vested in it is exposed, its want of respectability, or some other unfavourable circumstance; while a low rate of profit is occasioned by the opposite circumstances, the more than ordinary security of the capital, the great respectability of the business, &c. The case is similar with respect to wages; when they are unusually high it proceeds from the greater severity of the labour to be performed, the greater skill and dexterity required in the workmen, or the unhealthiness, disagreeableness, or unsteadiness of the employment; while their unusual lowness is occasioned by the contrary qualities, the lightness of the labour, its healthiness, agreeableness, or steadiness, and the little skill required to carry it on. Nothing can exceed the sagacity manifested in the analysis of the various topics connected with these subjects. And though the equality, or rather the constant tendency to equality, of the profits of the capitalists, and of the wages of the workmen engaged in different employments, had been previously pointed out, it is to Smith that we are indebted for its demonstration; and for a satisfactory explanation of the causes, why profits and wages, in particular businesses and professions, differ so very widely as they are seen to do from profits and wages in others without either capital or individuals going from the one to the other.

The arrangement of the "Wealth of Nations" has been described as perplexed and illogical; and it must be confessed that this censure is in a considerable degree well-founded. The thread of the investigation is often interrupted to make way for digressions upon some collateral topic. But though these be sometimes only very slightly connected with the main subject of investigation in the chapter in which they are placed, they generally involve some highly important considerations. They are evidently the favourite topics of the author, who has displayed in their treatment all that comprehensive sagacity which formed the distinguishing feature of his mind. Although, therefore, it must be admitted that these digressions are not always introduced in the best, or most natural manner, they notwithstanding add materially to the value of the work; and have greatly increased the number of its readers, by rendering it as interesting as it is instructive, and recommending it to those who might have felt indisposed to its study, had it abounded less in discussion and illustration.

Dr. Smith begins with a statement of the influence of the division of labour on industry, and then proceeds to investigate the circumstances which determine the real and nominal (money) price of commodities, and the laws which govern wages, profit, and rent. These subjects are discussed in the *first* and *second* books, which contain all that strictly belongs to his theory of the production and distribution of wealth. The *third* book is occupied with an investigation, partly resting on historical facts, and partly on probabilities, of what would be the progress of industry in countries in which every one should be left to pursue his own interest in his own way, or in which full scope should be given to the principle of competition; and of those circumstances in the policy of the different European nations which have contributed to produce the existing order of things. This he endeavours to show has not grown out of any theoretical views, or of the combinations of statesmen, but has been the necessary result of the peculiar situation in which society has been placed, and of the efforts of particular ranks and orders of men to advance their own interests. The *fourth* book is chiefly of a controversial character; and besides an examination of the system of the French

economists, it contains a full and masterly exposition and refutation of the principles and practical conclusions of the mercantile or exclusive system. The first half of the *fifth* and last book consists of a series of disquisitions respecting the principal objects on which the public revenue is or ought to be expended; but these, though generally excellent, undoubtedly belong more to politics than to political economy. In the latter part of the book he investigates the principles of taxation, and the influence of national debts over the public welfare.

The "Wealth of Nations," owing, perhaps, to the nature of the subject, is neither so elegantly nor so eloquently written as the "Theory of Moral Sentiments." But its plain, unaffected, and flowing style, though generally verbose and sometimes even tedious, is, probably, on the whole, the best suited to the work. It is never involved, nor is the meaning ever obscure. Owing, however, to a want of precision in the definitions, and in the use of scientific terms, the scope and tendency of its doctrines is not to be learned from particular paragraphs or even chapters; and can only be properly appreciated by those who carefully study and compare the whole book.

A considerable diversity of opinion has existed respecting Smith's claims to originality. The quotations already made from the works of various authors published before the "Wealth of Nations," show that some of his most important doctrines had been distinctly anticipated, and that obvious traces of them all may be found in previous writers. But this can hardly be considered as detracting in any, or only in a very slight degree, from the merits of Smith. In adopting the discoveries of others, he made them his own; he demonstrated the truth of principles on which his predecessors had, in most cases, stumbled by chance; separated them from the errors by which they were encumbered; traced their remote consequences; pointed out their limitations, mutual dependence, and real value; and reduced them into a consistent and beautiful system.

If the observations now hazarded be well founded, it will be seen that it is necessary, in studying the "Wealth of Nations," to exercise a reasonable degree of scepticism; and that our admiration of the author's talents, and his deserved celebrity, should not make us blindly follow his steps, and adopt his principles, without examination. This would neither be to profit by his example nor his precepts: For he has never suffered himself to be misled through mere deference to illustrious names, but has uniformly sifted and examined the arguments in favour of the different theories and opinions he had occasion to review. And though those who study his work in this mode, should see reason to reject several of his doctrines and conclusions, enough will still remain to reward their industry, as well as to justify the highest admiration of the individual who in investigating, for the first time, almost all the topics belonging to so extensive and difficult a field of inquiry, established so many important principles, and developed them in so instructive and excellent a work.

III.—PROGRESS OF POLITICAL ECONOMY SINCE THE PUBLICATION OF THE "WEALTH OF NATIONS."

MR MALTHUS's Essay on the "Principle of Population," published in 1798,* was the first considerable contribution to the science made subsequently to

* One vol. 8vo.; last edition in 1826, in two vols.

the publication of the "Wealth of Nations." The fact that the population of every country has a tendency not only to rise to the level of the means of subsistence, but to exceed them, had been frequently observed by previous writers, and had been set in a striking point of view by Sir James Steuart, and Mr. Townsend, author of the "Travels in Spain," in his "Dissertation on the Poor Laws" published in 1786. But though not the original discoverer of this principle, Malthus was the first to establish it on a solid foundation, and to show its vast consequence to a right understanding of the great questions connected with the well-being of society; more especially those respecting the governing causes of the rate of wages and the condition of the poor. He demonstrated, by an extensive and careful examination of the state of population in different countries and stages of society, that an increase in the means of subsistence is the only sure criterion of a permanent and beneficial increase in the numbers of a people: that, so far from there being the least risk of population falling below the level of subsistence, the danger is all on the other side; that, instead of there being a deficiency, there is, generally speaking, an excess of numbers in every country, as compared with the means of subsistence; and that, were population not kept down to its proper level by the prevalence of moral restraint, or of a due degree of prudence in the formation of matrimonial connections, it would necessarily be kept down by the prevalence of vice, want, and misery.

From the remotest antiquity down to our own times, it had been the policy of legislators to stimulate population by encouraging early marriages, and bestowing rewards on those who reared the greatest number of children. But the doctrines of Malthus show the mischievous nature of such interferences. They show, that an increase in the numbers of a people, when it is not either preceded or accompanied by a corresponding increase in the means of subsistence, can be productive only of misery, or of increased mortality, or both; that the difficulty is not to bring human beings into the world, but to feed, clothe, and educate them when there; that mankind every where increase their numbers, till their further augmentation is restrained by the difficulty of providing subsistence, and the poverty of some part of the society; and that, consequently, instead of attempting to strengthen the principle of increase, we should rather endeavour to provide for its control and regulation.

It is proved by what has occurred in America and elsewhere, that when a population, far advanced in the arts, is planted in a country abounding in large tracts of fertile and unoccupied land, it may go on for a lengthened period doubling its numbers in the short space of twenty or five and twenty years. But though population may advance for a century or more, at this rate, in the valleys of the Mississippi and the Missouri, it is quite impossible it could go on for a dozen years together at any such rate in England, France, or any old-settled and densely peopled country. Luckily, however, though the principle or instinct which prompts man to propagate his species be quite as strong in one country as in another, the different circumstances under which he is placed powerfully influence his habits, and render the progress of population commensurate to the increase of the means of subsistence. It is not enough to occasion a marriage that the parties should be attached to each other; it is further necessary that they should have a reasonable prospect of being able to provide for the children that may be expected to spring from their union. Numbers, it is true, are not influenced by such considerations, and, seeing the future through the deceitful medium of the passions, are not deterred from gratifying their inclinations by any fear of the conse-

quences; but it is, notwithstanding, abundantly certain that they do influence the great mass of society; and that celibacy is more practised, and marriage deferred to a later period in countries where the difficulty of providing for a family is greater than in others.

Much of the unpopularity of Malthus's work, and of the abuse of which he was the object, would have been obviated had he laid sufficient stress on the circumstances now so briefly alluded to. It is true that the principle of population, or the tendency to increase, would, if not restrained by prudential considerations, speedily fill the richest countries with want and wretchedness. But man is influenced by reason as well as by instinct; and experience shows that when necessary the considerations in question acquire a corresponding power; and that the desire of the bulk of the people not merely to preserve themselves in their present position, but to attain to one still higher, *does* in all ordinary cases, effectually hinder the too great development of the principle of population, and renders it subordinate to the increase of the means of subsistence. That such is the case is seen by comparing the past and present condition of all countries. Every people of Europe has gained in the progress of society; and is infinitely better provided with necessaries and conveniences at this moment than their ancestors 1000, 500, or 100 years ago. And it would be unphilosophical to suppose that it should be otherwise in time to come. The tendency to increase will, doubtless, be in future, as hitherto, controlled and regulated by the providence and good sense of society.

The principle of population is not, therefore, the bugbear, the invincible obstacle to all real and permanent improvement it has been represented by those who have exaggerated and misunderstood its influence. On the contrary, it is easy to see that this principle is the great cause of the advance of the human race in civilization and the arts; for, by keeping up population to a level with the means of subsistence, it makes the demand for fresh discoveries and inventions as great at one period as another, and insures the continued improvement of mankind. Mr Malthus has all but entirely overlooked these considerations. His work is, consequently, valuable rather for its showing the uselessness and impolicy of attempts directly to encourage population, and for having awakened public attention to the subject, than for its giving anything like a complete view of the department of the science of which it treats.

The *Traité d'Economie Politique* of M. Say of Paris, originally published in 1802, would deserve to be respectfully mentioned in a sketch of the progress of Political Economy, were it only for the influence which his skilful exposition of the advantageousness of the freedom of commerce and industry has had in abating illiberal prejudices on the Continent. It is singular, however, that though familiar with the works of Malthus and Ricardo, Say should have profited nothing by their elucidation of the origin and nature of rent, and that, in this important respect, the first editions of his book are as valuable as the last. The principal merit of his work, in a scientific point of view, consists in the explanation of the nature and causes of *gluts*. This is an able, and in part, also, an original disquisition. Smith showed how production might be carried to the farthest extent; and Say has completed his doctrine by showing that no conceivable increase of production can occasion a general glut, or universal overloading of the market. Too much of one commodity may occasionally be produced; but there can never be too great a

supply of all sorts of commodities. For every excess there is a corresponding deficiency. It is admitted on all hands, that how much soever the powers of production may be increased, such commodities as are directly used by the producers, without the intervention of an exchange, cannot be in excess; for to suppose that they should be in this predicament, is to suppose a production without a motive—an effect without a cause! Commodities carried to market may be in excess, but none else. These, however, are produced only that they may be exchanged for others; and the fact that they are in excess, or cannot be disposed of, shows a corresponding deficiency in the supply of those they were intended to exchange for, or buy. Those who offer products for sale are stimulated to produce, when they find they can readily exchange them for others. And hence the most effectual encouragement of industry plainly consists, not, as has been supposed, in an increase of unproductive and wasteful expenditure, but in an increase of production. Every new commodity is a new equivalent for, or a new means of purchasing some one else. It must be remembered, that the mere desire to possess any article, however strong, cannot of itself be a means of encouraging production. To become a real demander, a man must have the *power* as well as the *will* to purchase the articles he wishes to possess; in other words, he must be able to offer an equivalent for them. But it is not in the nature of things that there should be any limits to our wish to possess the products of art and industry. Our desires are too ample ever to be satisfied:—

> Nec Crœsi fortuna unquam, nec Persica Regna
> Sufficient animo!————————

The power to accomplish our wishes—to give equivalents for the objects of our desire—is the only desideratum. The more, consequently, this power is increased, that is, the more industrious individuals become, their means of buying will be so much the greater, and the market so much the more extensive. It is clear, therefore, that gluts do not originate in over production, but that, in all cases, they are a consequence of the wrong application of productive power—of the production of articles not suited to the tastes or wants of those to whom they are offered, or which cannot be directly made use of by the producers. If attention be paid to these two grand requisites, if those things only be produced which are in demand by others, or which may be used by the producers, the powers of production may be doubled or trebled, and there will be as little excess as if they were diminished in the same proportion. Miscalculation, and the too great ardour of speculation, occasionally divert capital into unprofitable channels. But, if Government do not interfere to assist the parties, they will not fail to withdraw from the losing businesses; a regard for their own interest correcting, sooner than any artificial remedy, the improper distribution of capital, and restoring the natural equilibrium between the price and the cost of commodities.

While M. Say was thus successfully cultivating the science in France, it was rapidly rising in importance, and acquiring fresh converts in England. The extraordinary changes occasioned by the late war in every department of the public economy, deeply affected the interests of all classes, and created the most anxious and universal attention. The experience of centuries was crowded into the short space of thirty years; and while novel combinations of circumstances served as tests by which to try existing theories, they enabled even inferior writers to extend the boundaries of the science, and to become

the discoverers of new truths. The discussions to which the restriction on cash payments by the Bank of England, the depreciation of the currency, and its subsequent restoration to par, gave rise, all but perfected the theory of money. The conflicting opinions that were entertained in regard to the influence of the restrictions on the corn trade, and the causes of the heavy fall of prices which took place in 1814 and 1815, stimulated some very able men to subject the laws regulating the price of raw produce, the rent of land, and the rate of profit, to a new and searching examination. In consequence several novel principles were elicited; and a work was produced, which, however inferior in interest to the "Wealth of Nations," rivals it in ability and originality.

The first considerable step towards the successful investigation of the laws which regulate the distribution of wealth was made in 1815, when the nature, origin, and causes of rent were explained, so as to be fully understood by the public, in pamphlets, published nearly at the same time, by "A Fellow of University College, Oxford,"* and Mr. Malthus.† But their investigations, though of great interest, were comparatively limited in their object; and it was reserved for Mr. Ricardo to carry his researches into every department of the science, to correct errors sanctioned by the highest authority, and to elucidate and establish many undiscovered and important principles. The appearance of his work on the "Principles of Political Economy and Taxation," in 1817, forms a new æra in the history of the science. Exclusive of many interesting correlative discussions, Mr. Ricardo has carefully analysed the principles which determine the value and distribution of commodities. The powers of mind displayed in these investigations —the dexterity with which the most abstruse and difficult questions are unravelled—the sagacity displayed in tracing the operation of general principles, in disentangling them from such as are of a secondary and accidental nature, and in perceiving and estimating their remote consequences—have rarely been surpassed; and will for ever secure the name of Ricardo a conspicuous place amongst those who have done most to unfold the mechanism of society, and to perfect this science.

Mr. Ricardo was the first to trace and exhibit the principle which determines the *cost*, or real value, of all descriptions of freely produced commodities. He perceived the fundamental error into which Dr. Smith had fallen, in supposing that the increase or diminution of the labour required to produce commodities, and the increase or diminution of the wages or price paid for that labour, were identical in their effects. He showed, that variations of profits and wages, by affecting all descriptions of freely produced commodities, to the same, or nearly the same extent, would either have no influence over their value, or, if they had any, it would depend on the degree in which they occasionally affect some commodities more than others. And, Messrs. West and Malthus having shown that rent is not an element of cost or value, it follows that the value of all freely produced commodities depends,

* *Essay on the Application of Capital to Land*, by a Fellow of University College, Oxford, Mr. (afterwards Sir Edward) West.

† *An Inquiry into the Nature and Progress of Rent*, by the Rev. T. R. Malthus.

There was nothing new in either of these pamphlets; the Origin, Nature, and Causes of Rent having been quite as well, or better explained in Dr. Anderson's pamphlet already alluded to, and in his Agricultural Recreations (vol. v. p. 401), published in 1801. But the investigations and discoveries of Anderson, did not attract any attention, and were, perhaps, wholly forgotten.

in advanced societies, as well as in those that are rudest and poorest, on the quantities of labour required to produce and bring them to market.

This cardinal principle being established, it is plain, seeing the employers of labour are not indemnified for a rise of wages by an increase in the value or price of commodities, that the portion of the produce that would otherwise go to them will be diminished to the extent to which wages may be raised. It is not true, however, as Mr. Ricardo has stated, that the *rate* of profit is necessarily reduced in the same proportion that wages are increased. By profit is meant the surplus produce, or its value, accruing to those who employ capital in industrious undertakings, after replacing the capital, or such parts of it as have been necessarily wasted in the undertakings; and the rate of profit is always estimated in aliquot parts of the capital employed, and is in fact merely the expression of the proportion which the whole profit bears to the whole capital. And hence, it is clear that whenever the productiveness of industry is increased, the produce assigned to the labourer, as his wages, may also be increased, without the share that remained to his employer, or the rate of profit, being diminished. It is easy, indeed, to see that both wages and profits may be simultaneously increased.

Having shown the influence which variations in the rate of wages exercise over the rate of profit, Mr. Ricardo applied himself to discover the circumstances which determine wages. These he found to depend principally on the cost of producing the articles required for the subsistence of the labourer. However high their price, he must, it is plain, always receive a supply of food and clothes sufficient to enable him to exist, and continue his race. But owing to the progressively decreasing fertility of the soils to which advancing countries are obliged to resort, the quantity of raw produce, or of food, obtained by equal outlays of labour has, speaking generally, a constant tendency to diminish in the progress of society; and whenever wages cease to be reduced in the same proportion, the rate of profit will be depressed, not merely through the diminished productiveness of industry, but, also, because an increased part of its diminished produce goes to the labourers.*

These, however, are theoretical rather than practical conclusions; and are liable to be, and in fact are, every now and then, materially affected by the improvements that are always being made in the progress of society. These may neutralise, for an almost indefinite period, the influence that would otherwise be exercised over prices and profits, by resorting to inferior lands. It is to be regretted that Mr. Ricardo did not sufficiently attend to the circumstances which practically countervail several of the principles on which he laid the greatest stress; and which, though less constant in their operation than the latter, make as much a part of the order of nature, and exercise a powerful influence.

* The decreasing fertility of the soils to which every advancing society must resort, was, we believe, first distinctly shown in a work, in which there are many sound, intermixed with many fanciful and erroneous, views, entitled *Principes de tout Gouvernement*, 2 tomes 12mo. published in 1766. The author has, on one occasion, hit upon the real origin of rent—"*Quand les cultivateurs, devenus combreux, auront défriché toutes les bonnes terres; par leur augmentation successive, et par la continuité du défrichement, il se trouvera un point ou il sera plus avantageux à un nouveau colon de prendre à ferme des terres fécondes, que d'en défricher de nouvelles beaucoup moins bonnes.*"—(Tome i. p. 126.) It is plain, however, from his not reverting to the subject, that he was not at all aware of the importance of the principle he had stated; and it is apparent, indeed, from other passages of the work, that he supposed rent entered into price.

That a fall of profits usually takes place in the progress of society, is a fact of which there can be no doubt. It had, however, been generally supposed that this fall was a consequence of the increase of capital, or rather of the increased competition of its possessors, or of their efforts to undersell each other. But Mr. Ricardo has shown the fallacy of this opinion. And it has since been sufficiently established that all permanent reductions in the rate of profit are a consequence, 1st, of an increase in the rate of wages; or, 2nd, of a diminished productiveness of industry; or, 3rd, of an increase of the taxes and public burdens affecting those engaged in industrious undertakings.

In establishing his peculiar doctrines Mr. Ricardo not only made a large addition to the mass of useful and universally interesting truths; but has exhibited some of the finest examples to be met with of discriminating analysis and profound and refined discussion. His doctrines are not, as has sometimes been stated, merely speculative. On the contrary, they enter deeply into almost all the investigations of the science. That part of his work which treats of the incidence and operation of taxes on rent, profit, wages, and raw produce, is altogether practical; and, though not quite free from error, must always be a subject of careful study to those who wish to render themselves thoroughly acquainted with this important department of economical science.

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TO

THE THIRD EDITION.

THE first edition of the following work was printed in the end of the year 1775, and in the beginning of the year 1776. Through the greater part of the book, therefore, whenever the present state of things is mentioned, it is to be understood of the state they were in, either about that time, or at some earlier period, during the time I was employed in writing the book. To the third edition, however, I have made several additions, particularly to the chapter upon Drawbacks, and to that upon Bounties; likewise a new chapter entitled, *The Conclusion of the Mercantile System;* and a new article to the chapter upon the expenses of the sovereign. In all these additions, *the present state of things* means always the state in which they were during the year 1783 and the beginning of the year 1784.

ADVERTISEMENT

TO

THE FOURTH EDITION.

IN this fourth edition I have made no alterations of any kind. I now, however, find myself at liberty to acknowledge my very great obligations to Mr. HENRY HOPE of Amsterdam. To that gentleman I owe the most distinct, as well as liberal information, concerning a very interesting and important subject, the Bank of Amsterdam; of which no printed account had ever appeared to me satisfactory, or even intelligible. The name of that gentleman is so well known in Europe, the information which comes from him must do so much honour to whoever has been favoured with it, and my vanity is so much interested in making this acknowledgment, that I can no longer refuse myself the pleasure of prefixing this advertisement to the new edition of my book.

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AN

INQUIRY INTO THE NATURE AND CAUSES

OF THE

WEALTH[1] OF NATIONS.

INTRODUCTION AND PLAN OF THE WORK.

The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

According, therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences for which it has occasion.

But this proportion must, in every nation, be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which its labour is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed. Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

The abundance or scantiness of this supply, too, seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual, who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniences of life for himself, or such of his family or tribe as are either too old, or too young, or too infirm, to go a hunting and fishing. Such nations, however, are so miserably poor, that from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning, their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilised and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times, more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniences of life than it is possible for any savage to acquire.

[1] Dr. Smith has not stated the precise meaning he attached to the term *wealth*; though he most commonly describes it as the "annual produce of land and labour." It has, however, been justly objected to this definition, that it refers to the sources of wealth, before we know what wealth is, and that it includes all the useless products of the earth, as well as those that are appropriated and enjoyed by man.

We are inclined to think that wealth should be considered as comprising all the articles or products that are necessary, useful, or agreeable to man, and which at the same time possess exchangeable value — meaning by this quality the power or capacity to exchange for or buy some quantity of labour, or of one or more commodities or products obtainable only by means of labour. This definition distinguishes between wealth and such articles as are bestowed gratuitously in unlimited quantities by Providence on man. The latter, though they may be of the very highest utility, are necessarily altogether destitute of exchangeable value; for, it is plain, no one will ever exert any labour, or give any portion of its produce, to obtain what he may command at all times, and in any quantity, without exertion. The grounds on which a distinction is made between wealth and articles or products not possessed of exchangeable value, are, therefore, obvious, and have been universally recognised. A man is not said to be wealthy because he can command inexhaustible supplies of atmospheric air, this being a privilege which he enjoys in common with every one else, and which, for that reason, can form no ground of distinction; but he is said to be wealthy according to the degree in which he can afford to command those necessaries, conveniences, and luxuries which cannot be procured or preserved without the exertion of some labour or industry, and which may be appropriated by one individual, and enjoyed by him to the exclusion of others. These articles or products are alone possessed of exchangeable value; and they alone form what is properly understood by wealth. The results of the industry of man are the only objects of which the Political Economist takes any account. This science might, indeed, be called the *science of values*; for whatever is not possessed of exchangeable value, or will not be received as an equivalent for something else which has required labour to produce or obtain, can never fairly come within the scope of its inquiries.

The causes of this improvement, in the productive powers of labour, and the order according to which its produce is naturally distributed among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.

Whatever be the actual state of the skill, dexterity, and judgment with which labour is applied in any nation, the abundance or scantiness of its annual supply must depend, during the continuance of that state, upon the proportion between the number of those who are annually employed in useful labour, and that of those who are not so employed. The number of useful and productive labourers, it will hereafter appear, is every where in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed. The Second Book, therefore, treats of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labour which it puts into motion, according to the different ways in which it is employed.

Nations, tolerably well advanced as to skill, dexterity, and judgment, in the application of labour, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favourable to the greatness of its produce. The policy of some nations has given extraordinary encouragement to the industry of the country; that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry. Since the downfal of the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and commerce, the industry of towns; than to agriculture, the industry of the country. The circumstances which seem to have introduced and established this policy are explained in the Third Book.

Though those different plans were, perhaps, first introduced by the private interests and prejudices of particular orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society; yet they have given occasion to very different theories of political economy; of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states. I have endeavoured, in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects they have produced in different ages and nations.

To explain in what has consisted the revenue of the great body of the people, or what has been the nature of those funds, which, in different ages and nations, have supplied their annual consumption, is the object of these four first books. The Fifth and last Book treats of the revenue of the sovereign, or commonwealth. In this book I have endeavoured to show, first, what are the necessary expenses of the sovereign, or commonwealth; which of those expenses ought to be defrayed by the general contribution of the whole society; and which of them, by that of some particular part only, or of some particular members of it; secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expenses incumbent on the whole society, and what are the principal advantages and inconveniences of each of those methods; and, thirdly and lastly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.

BOOK I.

OF THE CAUSES OF IMPROVEMENT IN THE PRODUCTIVE POWERS OF LABOUR, AND OF THE ORDER ACCORDING TO WHICH ITS PRODUCE IS NATURALLY DISTRIBUTED AMONG THE DIFFERENT RANKS OF THE PEOPLE.

CHAP. I.

Of the Division of Labour.

The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment, with which it is any where directed or applied, seem to have been the effects of the division of labour.

The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures. It is commonly supposed to be carried furthest in some very trifling ones; not, perhaps, that it really is carried further in them than in others of more importance; but in those trifling manufactures which are destined to supply the small wants of but a small number of people, the whole number of workmen must necessarily be small; and those employed in every different branch of the work can often be collected into the same workhouse, and placed at once under the view of the spectator. In those great manufactures, on the contrary, which are destined to supply the great wants of the great body of the people, every different branch of the work employs so great a

number of workmen, that it is impossible to collect them all into the same workhouse. We can seldom see more, at one time, than those employed in one single branch. Though in such manufactures, therefore, the work may really be divided into a much greater number of parts than in those of a more trifling nature, the division is not near so obvious, and has accordingly been much less observed.

To take an example, therefore, from a very trifling manufacture, but one in which the division of labour has been very often taken notice of, the trade of the pin-maker, a workman not educated to this business, (which the division of labour has rendered a distinct trade,) nor acquainted with the use of the machinery employed in it, (to the invention of which the same division of labour has probably given occasion,) could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But, in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straights it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head: to make the head requires two or three distinct operations: to put it on is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where ten men only were employed, and where some of them, consequently, performed two or three distinct operations. But though they were very poor, and, therefore, but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one, pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth, part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations.

In every other art and manufacture the effects of the division of labour are similar to what they are in this very trifling one; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place in consequence of this advantage. This separation, too, is generally carried furthest in those countries which enjoy the highest degree of industry and improvement; what is the work of one man in a rude state of society being generally that of several in an improved one. In every improved society, the farmer is generally nothing but a farmer, the manufacturer nothing but a manufacturer. The labour, too, which is necessary to produce any one complete manufacture is almost always divided among a great number of hands. How many different trades are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool to the bleachers and smoothers of the linen, or to the dyers and dressers of the cloth! The nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures. It is impossible to separate so entirely the business of the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossibility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is, perhaps, the reason why the improvement of the productive powers of labour in this art does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures; but they are commonly more distinguished by their superiority in the latter than in the former. Their lands are, in general, better cultivated, and, having more labour and expense bestowed upon them, produce more in proportion to the extent and natural fertility of the ground. But this superiority of produce is seldom much more than in proportion to the supe-

riority of labour and expense. In agriculture, the labour of the rich country is not always much more productive than that of the poor, or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to market than that of the poor. The corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding the superior opulence and improvement of the latter country. The corn of France is, in the corn provinces, fully as good, and, in most years, nearly about the same price, with the corn of England, though, in opulence and improvement, France is, perhaps, inferior to England. The corn lands of England, however, are better cultivated than those of France, and the corn lands of France are said to be much better cultivated than those of Poland. But thoug p ountry, notwithstanding the inferiority of its cultivation, can, in some measure, rival the rich in the cheapness and goodness of its corn, it can pretend to no such competition in its manufactures; at least if those manufactures suit the soil, climate, and situation of the rich country. The silks of France are better and cheaper than those of England, because the silk manufacture, at least under the present high duties upon the importation of raw silk, does not so well suit the climate of England as that of France. But the hardware and the coarse woollens of England are, beyond all comparison, superior to those of France, and much cheaper, too, in the same degree of goodness. In Poland there are said to be scarce any manufactures of any kind, a few of those coarser household manufactures excepted, without which no country can well subsist.[1]

This great increase of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and, lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if, upon some particular occasion, he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those, too, very bad ones. A smith, who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom, with his utmost diligence, make more than eight hundred or a thousand nails in a day. I have seen several boys, under twenty years of age, who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day. The making of a nail, however, is by no means one of the simplest operations. The same person blows the bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail: in forging the head, too, he is obliged to change his tools. The different operations into which the making of a pin, or of a metal button, is subdivided, are all of them much more simple; and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

[1] The statement in the text, with respect to the impossibility of carrying the division of labour to the same extent in agriculture as in either manufactures or commerce, is undoubtedly correct; but this circumstance is not, as Smith supposes, the only or even the principal reason why the price of corn, in highly cultivated countries, is generally as high as in those that are comparatively ill-cultivated and barbarous, and frequently much higher. If superiority of agriculture, a greater subdivision of rural employments, and a more extensive introduction of machinery into the labours of the field, were sufficient to determine the price of raw produce, it would be very decidedly lower in Great Britain than in Poland or Russia. But it is obvious that the price of corn in different countries depends only partially on their system of cultivation, and that it is also very materially dependent on the comparative fertility of the soils they have under cultivation — an element which Smith has, by some strange oversight, totally neglected. The scantiness of the population of rude nations renders it unnecessary for them to cultivate any but lands of the highest degree of fertility; but as society advances, and population increases, it becomes necessary to resort to less fertile soils, the produce of which must, because of the greater amount of capital and labour required in their cultivation, be comparatively dear. It was stated, by several of the witnesses examined by a Committee of the House of Commons on the state of agriculture, in 1821, that the produce obtained from the lands under cultivation in England and Wales, estimated in wheat, varied from thirty-six and forty to eight and nine bushels an acre. The required supplies of food could not be obtained without cultivating these inferior lands; and it is this necessity of resorting to soils of a diminished degree of fertility, that is the real cause of the comparatively high price of corn, and other raw products, in highly populous countries, which, it is needless to add, would be very much greater than it is, were it not for the superiority of their agriculture, and the improvements that are always being made in it.

For further illustrations of this important principle, see the notes on Rent and Wages, at the end of the Volume.

Secondly, the advantage which is gained, by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can be carried on in the same work-house, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work, he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose. The habit of sauntering, and of indolent careless application, which is naturally, or rather necessarily, acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life, renders him almost always slothful and lazy, and incapable of any vigorous application, even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing.

Thirdly, and lastly, every body must be sensible how much labour is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example. I shall only observe, therefore, that the invention of all those machines, by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But, in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines, made use of in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it. Whoever has been much accustomed to visit such manufactures, must frequently have been shown very pretty machines, which were the inventions of such workmen, in order to facilitate and quicken their own particular part of the work. In the first fire-engines, a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his playfellows. One of the greatest improvements that has been made upon this machine, since it was first invented, was, in this manner, the discovery of a boy who wanted to save his own labour.

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade, and some by that of those who are called philosophers, or men of speculation, whose trade it is not to do any thing, but to observe every thing; and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects. In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment, too, it is subdivided into a great number of different branches, each of which affords occupation to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity, and saves time. Each individual becomes more expert in his own peculiar branch; more work is done upon the whole, and the quantity of science is considerably increased by it.

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of, beyond what he himself has occasion for; and, every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they ac-

commodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

Observe the accommodation of the most common artificer or day-labourer in a civilised and thriving country, and you will perceive, that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the woolcomber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others, who often live in a very distant part of the country! How much commerce and navigation, in particular, how many shipbuilders, sailors, sailmakers, ropemakers, must have been employed, in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour, too, is necessary in order to produce the tools of the meanest of those workmen! To say nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider, only, what a variety of labour is requisite, in order to form that very simple machine the shears, with which the shepherd clips the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal, to be made use of in the smelting-house, the brickmaker, the bricklayer, the workmen who attend the furnace, the millwright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniencies; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that, without the assistance and co-operation of many thousands, the very meanest person in a civilised country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages.

CHAP. II.

Of the Principle which gives Occasion to the Division of Labour.

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility, the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature, of which no further account can be given, or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to inquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody

ever saw one animal, by its gestures and natural cries, signify to another, this is mine, that yours: I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master, who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren; and, when he has no other means of engaging them to act according to his inclinations, endeavours, by every servile and fawning attention, to obtain their good will. He has not time, however, to do this upon every occasion. In civilised society, he stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals, each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature; but man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail, if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old clothes which another bestows upon him, he exchanges for other old clothes which suit him better, or for lodging, or for food, or for money, with which he can buy either food, clothes, or lodging, as he has occasion.

As it is by treaty, by barter, and by purchase that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds, a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds, at last, that he can in this manner get more cattle and venison than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him, in the same manner, with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner, a third becomes a smith or a brazier, a fourth, a tanner or dresser of hides or skins, the principal part of the clothing of savages. And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not, upon many occasions, so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street-porter, for example, seems to arise, not so much from nature, as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till, at last, the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to

himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and education, appears to take place among men. By nature, a philosopher is not in genius and disposition half so different from a street-porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not, in the least, supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.[1]

CHAP. III.

That the Division of Labour is limited by the Extent of the Market.

As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for.

There are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him: even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker, and brewer for his own family. In such situations, we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are, almost everywhere, obliged to apply themselves to all the different branches of industry, that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood: a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and

[1] Dr. Smith's speculations with respect to the principle which gives occasion to the division of labour, though sufficiently ingenious, do not seem to rest on any very solid foundation. That division is plainly a consequence of our being able to perceive, or, at all events, to conjecture, with more or less accuracy, what is, under any given circumstances, most advantageous or useful for ourselves. The savages who are slow of foot or lame have no innate propensity to become makers of bows and arrows, and to truck or barter these articles with their fellow-savages for game; but they have no difficulty in discovering that it will be very much for their interest to do so, and that such is, in fact, the only way by which they can expect to obtain supplies of food; while, on the other hand, the savages who are swift-footed perceive that it is for their interest to follow that species of industry for which they have a peculiar aptitude, and to exchange a portion of their prey with the others for the implements they stand in need of. The physical capacities, talents, and dispositions, as well as the circumstances under which different men are placed, differ exceedingly; and nothing can be more natural than that each individual should endeavour to apply himself in preference to those occupations which, all things considered, he reckons most suitable or beneficial for himself; exchanging such portions of his own produce as exceed his own consumption for such portions of the produce of others as he may be desirous to obtain and they may be willing to part with. The inhabitants of the Highlands of Perthshire do not take to the breeding of cattle, or those of the Carse of Gowrie to the culture of wheat, or those of the Shetland isles to the catching of fish, because an instinctive propensity impels them to engage in such employments; but because they have learned, from experience, that they will obtain the largest supply of the necessaries and conveniences of human life, by confining themselves to those branches of industry, for the prosecution of which they have a decided advantage, and bartering their surplus products with others.

even a carver in wood, as well as a wheel-wright, a ploughwright, a cart and wagon maker. The employments of the latter are still more various. It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the Highlands of Scotland. Such a workman, at the rate of a thousand nails a day, and three hundred working days in the year, will make three hundred thousand nails in the year. But in such a situation it would be impossible to dispose of one thousand, that is, of one day's work, in the year.

As, by means of water-carriage, a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the seacoast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself; and it is, frequently, not till a long time after that those improvements extend themselves to the inland parts of the country. A broad-wheeled wagon, attended by two men, and drawn by eight horses, in about six weeks' time carries and brings back, between London and Edinburgh, near four tons' weight of goods.[1] In about the same time, a ship, navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred tons' weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back, in the same time, the same quantity of goods between London and Edinburgh as fifty broad-wheeled wagons, attended by a hundred men, and drawn by four hundred horses. Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses, as well as of fifty great wagons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons' burden, together with the value of the superior risk, or the difference of the insurance between land and water-carriage. Were there no other communication between those two places, therefore, but by land-carriage, as no goods could be transported from the one to the other, except such whose price was very considerable in proportion to their weight, they could carry on but a small part of that commerce which at present subsists between them, and, consequently, could give but a small part of that encouragement which they at present mutually afford to each other's industry. There could be little or no commerce of any kind between the different parts of the world. What goods could bear the expense of land-carriage between London and Calcutta? Or, if there were any so precious as to be able to support this expense, with what safety could they be transported through the territories of so many barbarous nations? Those two cities, however, at present carry on a very considerable commerce with each other, and, by mutually affording a market, give a good deal of encouragement to each other's industry.

Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can, for a long time, have no other market for the greater part of their goods but the country which lies round about them, and separates them from the sea coast, and the great navigable rivers. The extent of their market, therefore, must, for a long time, be in proportion to the riches and populousness of that country, and, consequently, their improvement must always be posterior to the improvement of that country. In our North American colonies, the plantations have constantly followed either the seacoast or the banks of the navigable rivers, and have scarce anywhere extended themselves to any considerable distance from both.

The nations that, according to the best authenticated history, appear to have been first civilised, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor, consequently, any waves, except such as are caused by the wind only, was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world, when, from their ignorance of the compass, men were afraid to quit the view of the coast, and, from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean. To pass beyond the pillars of Hercules, that is, to sail out of the straits of Gibraltar, was, in the ancient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phœnicians and Carthaginians, the most skilful navigators and shipbuilders of those old times, attempted it, and they were for a long time the only nations that did attempt it.

[1] The expenses attending the conveyance of goods by land have been very much diminished since "the Wealth of Nations" was published, though they are still superior to the expenses attending their conveyance by sea.

Of all the countries on the coast of the Mediterranean sea, Egypt seems to have been the first in which either agriculture or manufactures were cultivated and improved to any considerable degree. Upper Egypt extends itself nowhere above a few miles from the Nile; and, in Lower Egypt, that great river breaks itself into many different canals, which, with the assistance of a little art, seem to have afforded a communication by water-carriage, not only between all the great towns, but between all the considerable villages, and even to many farm-houses in the country, nearly in the same manner as the Rhine and the Maese do in Holland at present. The extent and easiness of this inland navigation was, probably, one of the principal causes of the early improvement of Egypt.

The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal, in the East Indies, and in some of the eastern provinces of China; though the great extent of this antiquity is not authenticated by any histories of whose authority we, in this part of the world, are well assured. In Bengal, the Ganges and several other great rivers form a great number of navigable canals, in the same manner as the Nile does in Egypt. In the eastern provinces of China, too, several great rivers form, by their different branches, a multitude of canals, and, by communicating with one another, afford an inland navigation much more extensive than that either of the Nile or the Ganges, or, perhaps, than both of them put together. It is remarkable that neither the ancient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

All the inland parts of Africa, and all that part of Asia which lies any considerable way north of the Euxine and Caspian seas, the ancient Scythia, the modern Tartary and Siberia, seem, in all ages of the world, to have been in the same barbarous and uncivilised state in which we find them at present. The sea of Tartary is the frozen ocean which admits of no navigation; and though some of the greatest rivers in the world run through that country, they are at too great a distance from one another to carry commerce and communication through the greater part of it. There are in Africa none of those great inlets, such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulfs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent; and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce, besides, which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different states of Bavaria, Austria, and Hungary, in comparison of what it would be if any of them possessed the whole of its course till it falls into the Black Sea.

CHAP. IV.

Of the Origin and Use of Money.

When the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes, in some measure, a merchant; and the society itself grows to be what is properly a commercial society.

But, when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former, consequently, would be glad to dispose of, and the latter to purchase, a part of this superfluity. But, if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it; but they have nothing to offer in exchange, except the different productions of their respective trades, and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers; and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such situations, every prudent man, in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined

few people would be likely to refuse in exchange for the produce of their industry.

Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them. The armour of Diomede, says Homer, cost only nine oxen; but that of Glaucus cost an hundred oxen.[1] Salt is said to be the common instrument of commerce and exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia; sugar in some of our West India colonies; hides or dressed leather in some other countries; and there is at this day a village in Scotland where it is not uncommon, I am told, for a workman to carry nails, instead of money, to the baker's shop or the ale-house.

In all countries, however, men seem at last to have been determined by irresistible reasons to give the preference, for this employment, to metals above every other commodity. Metals can not only be kept with as little loss as any other commodity, scarce any thing being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be re-united again; a quality which no other equally durable commodities possess, and which, more than any other quality renders them fit to be the instruments of commerce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox or a whole sheep at a time. He could seldom buy less than this, because what he was to give for it could seldom be divided without loss; and if he had a mind to buy more, he must, for the same reasons, have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If, on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could easily proportion the quantity of the metal to the precise quantity of the commodity which he had immediate occasion for.

Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the ancient Spartans; copper among the ancient Romans; and gold and silver among all rich and commercial nations.

Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage. Thus we are told by Pliny,[2] upon the authority of Timæus, an ancient historian, that, till the time of Servius Tullius, the Romans had no coined money, but made use of unstamped bars of copper to purchase whatever they had occasion for. These rude bars, therefore, performed at this time the function of money.

The use of metals in this rude state was attended with two very considerable inconveniences; first, with the trouble of weighing, and, secondly, with that of assaying them. In the precious metals, where a small difference in the quantity makes a great difference in the value, even the business of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold, in particular, is an operation of some nicety. In the coarser metals, indeed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome, if, every time a poor man had occasion either to buy or sell a farthing's worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious, and, unless a part of the metal is fairly melted in the crucible, with proper dissolvents, any conclusion that can be drawn from it is extremely uncertain. Before the institution of coined money, however, unless they went through this tedious and difficult operation, people must always have been liable to the grossest frauds and impositions; and, instead of a pound weight of pure silver, or pure copper, might receive in exchange for their goods an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance, been made to resemble those metals. To prevent such abuses, to facilitate exchanges, and, thereby, to encourage all sorts of industry and commerce,

[1] The Marquis Garnier has attempted to controvert this statement in a note to his translation of "the Wealth of Nations." (*Richesse des Nations*, tom. v. p. 18. ed. 1822.) He contends that the cattle occasionally mentioned in ancient authors, as having been used as money, were really pieces of gold or silver, or coins, marked with the figure of an ox, a sheep, &c., and that they derived their names of *boves, oves*, &c., from that circumstance. Garnier supports this opinion with great learning and ingenuity. But, though there can be no question that coins, impressed with the figures of animals, and passing by their names, were current in antiquity, still the questions remain — Were not cattle used as money previously to the existence of these coins? — and was it not from that circumstance that the coins were impressed with their figures? We apprehend there can be little doubt that both these questions must be answered in the affirmative; and though, therefore, Garnier be perhaps right in saying that the oxen Homer had in view, in comparing the armour of Glaucus and Diomede, were really coins marked with the figure of an ox, still there does not seem to be any good ground for impeaching the statement of Smith, that, in early ages, cattle were used as money.

[2] Plin. Hist. Nat. lib. xxxiii. cap. 3.

it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quantities of such particular metals as were in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints; institutions exactly of the same nature with those of the aulnagers and stampmasters of woollen and linen cloth. All of them are equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those different commodities when brought to market.

The first public stamps of this kind that were affixed to the current metals, seem, in many cases, to have been intended to ascertain, what it was both most difficult and most important to ascertain, the goodness or fineness of the metal, and to have resembled the sterling mark, which is at present affixed to plate and bars of silver, or the Spanish mark, which is sometimes affixed to ingots of gold, and which, being struck only upon one side of the piece, and not covering the whole surface, ascertains the fineness but not the weight of the metal. Abraham weighs to Ephron the four hundred shekels of silver which he had agreed to pay for the field of Machpelah. They are said, however, to be the current money of the merchant, and yet are received by weight, and not by tale, in the same manner as ingots of gold and bars of silver are at present. The revenues of the ancient Saxon kings of England are said to have been paid, not in money but in kind, that is, in victuals and provisions of all sorts. William the Conqueror introduced the custom of paying them in money. This money, however, was, for a long time, received at the exchequer by weight and not by tale.

The inconveniency and difficulty of weighing those metals with exactness gave occasion to the institution of coins, of which the stamp, covering entirely both sides of the piece, and sometimes the edges too, was supposed to ascertain, not only the fineness but the weight of the metal. Such coins, therefore, were received by tale as at present, without the trouble of weighing.

The denominations of those coins seem originally to have expressed the weight or quantity of metal contained in them. In the time of Servius Tullius, who first coined money at Rome, the Roman As or Pondo contained a Roman pound of good copper. It was divided in the same manner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. The English pound sterling, in the time of Edward I., contained a pound, Tower weight, of silver of a known fineness. The Tower pound seems to have been something more than the Roman pound, and something less than the Troyes pound. This last was not introduced into the mint of England till the 18th of Henry VIII. The French livre contained, in the time of Charlemagne, a pound, Troyes weight, of silver of a known fineness. The fair of Troyes in Champagne was at that time frequented by all the nations of Europe, and the weights and measures of so famous a market were generally known and esteemed. The Scots money pound contained, from the time of Alexander the First to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. English, French, and Scots pennies, too, contained all of them originally a real pennyweight of silver, the twentieth part of an ounce, and the two hundred and fortieth part of a pound. The shilling, too, seems originally to have been the denomination of a weight. *When wheat is at twelve shillings the quarter*, says an ancient statute of Henry III., *then wastel bread of a farthing shall weigh eleven shillings and four-pence.* The proportion, however, between the shilling, and either the penny on the one hand, or the pound on the other seems not to have been so constant and uniform as that between the penny and the pound. During the first race of the kings of France, the French sou or shilling appears, upon different occasions, to have contained five, twelve, twenty, and forty pennies. Among the ancient Saxons, a shilling appears at one time to have contained only five pennies; and it is not improbable, that it may have been as variable among them as among their neighbours, the ancient Franks. From the time of Charlemagne among the French, and from that of William the Conqueror among the English, the proportion between the pound, the shilling, and the penny, seems to have been uniformly the same as at present, though the value of each has been very different. For in every country of the world, I believe, the avarice and injustice of princes and sovereign states, abusing the confidence of their subjects, have, by degrees, diminished the real quantity of metal which had been originally contained in their coins. The Roman as, in the latter ages of the republic, was reduced to the twenty-fourth part of its original value, and, instead of weighing a pound, came to weigh only half an ounce. The English pound and penny contain at present about a third only, the Scots pound and penny about a thirty-sixth, and the French pound and penny about a sixty-sixth, part of their original value. By means of those operations, the princes and sovereign states which performed them were enabled, in appearance, to pay their debts, and to fulfil their engagements, with a smaller quantity of silver than would otherwise have been requisite. It was, indeed, in appearance only; for their

creditors were really defrauded of a part of what was due to them. All other debtors in the state were allowed the same privilege; and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old. Such operations, therefore, have always proved favourable to the debtor and ruinous to the creditor; and have sometimes produced a greater and more universal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.[1]

It is in this manner that money has become, in all civilised nations, the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.

What are the rules which men naturally observe in exchanging them either for money or for one another, I shall now proceed to examine. These rules determine what may be called the relative or exchangeable value of goods.

The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods, which the possession of that object conveys. The one may be called "value in use," the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water; but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.

In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to show,

First, What is the real measure of this exchangeable value, or wherein consists the real price of all commodities;

Secondly, What are the different parts of which this real price is composed or made up;

And, *lastly*, What are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below, their natural or ordinary rate; or what are the causes which sometimes hinder the market price, that is, the actual price, of commodities, from coinciding exactly with what may be called their natural price.

I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader: his patience, in order to examine a detail which may, perhaps, in some places appear unnecessarily tedious; and his attention, in order to understand what may, perhaps, after the fullest explication which I am capable of giving of it, appear still in some degree obscure. I am always willing to run some hazard of being tedious in order to be sure that I am perspicuous; and, after taking the utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject in its own nature extremely abstracted.

CHAP. V.

Of the real and nominal Price of Commodities, or of their Price in Labour, and their Price in Money.[2]

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But, after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him: the far greater part of them he must derive from the labour of other people; and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.

The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour, which we exchange for what is supposed at the time

[1] The reader may see in the article MONEY, Encyclopædia Britannica, an account of the successive debasements practised on the coins of England, Scotland, France, and some other countries.

[2] The determination of the circumstances which regulate the value of commodities forms one of the most important and difficult inquiries in this science. But, as no consistent or intelligible view of what appears to be the true doctrine on the subject could be given in detached notes, on those parts of this chapter which require modification, we have preferred giving our own views in relation to it in a connected form in the note on Value at the end of the Volume

to contain the value of an equal quantity. Labour was the first price, the original purchase-money, that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.

Wealth, as Mr. Hobbes says, is power. But the person who, either acquires or succeeds to a great fortune does not necessarily acquire or succeed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both; but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him is the power of purchasing; a certain command over all the labour, or over all the produce of labour, which is then in the market. His fortune is greater or less, precisely in proportion to the extent of this power, or to the quantity either of other men's labour, or, what is the same thing, of the produce of other men's labour which it enables him to purchase or command. The exchangeable value of every thing must always be precisely equal to the extent of this power which it conveys to its owner.

But, though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade, which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life.

Every commodity, besides, is more frequently exchanged for, and thereby compared with, other commodities than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it can purchase. The greater part of people, too, understand better what is meant by a quantity of a particular commodity than by a quantity of labour. The one is a plain palpable object, the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious.

But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity. The butcher seldom carries his beef or his mutton to the baker or the brewer, in order to exchange them for bread or for beer; but he carries them to the market, where he exchanges them for money, and afterwards exchanges that money for bread and for beer. The quantity of money which he gets for them regulates, too, the quantity of bread and beer which he can afterwards purchase. It is more natural and obvious to him, therefore, to estimate their value by the quantity of money, the commodity for which he immediately exchanges them, than by that of bread and beer, the commodities for which he can exchange them only by the intervention of another commodity; and rather to say, that his butcher's meat is worth threepence or fourpence a pound, than that it is worth three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass, that the exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it.

Gold and silver, however, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it cost less labour to bring those metals from the mine to the market, so, when they were brought thither, they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things, so a commodity which is itself continually varying in its own

value can never be an accurate measure of the value of other commodities. Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places, that is dear which it is difficult to come at, or which it costs much labour to acquire, and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

But though equal quantities of labour are always of equal value to the labourer, yet, to the person who employs him, they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It appears to him dear in the one case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case, and dear in the other.

In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniences of life which are given for it, its nominal price in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal, price of his labour.

The distinction between the real and the nominal price of commodities and labour, is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value; but, on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved, that it should not consist in a particular sum of money. Its value would, in this case, be liable to variations of two different kinds: first, to those which arise from the different quantities of gold and silver which are contained at different times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins, but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe, of all nations, has, accordingly, been almost continually diminishing, and hardly ever augmenting. Such variations, therefore, tend almost always to diminish the value of a money-rent.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition, therefore, such variations are more likely to diminish than to augment the value of a money-rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination, (in so many pounds sterling, for example,) but in so many ounces either of pure silver, or of silver of a certain standard.

The rents which have been reserved in corn have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered.[1] By the 18th of Elizabeth it was enacted, That a third of the rent of all college leases should be reserved in corn, to be paid either in kind or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is, in the present times, according to Dr. Blackstone, commonly near double of what arises from the other two thirds. The old money-rents of colleges, must, according to this account, have sunk almost to a fourth part of their ancient value, or are worth little more than a fourth part of the corn which they were formerly worth. But, since the reign of Philip and Mary, the denomination of the English coin has undergone little or no alteration; and the same number of pounds, shillings, and pence have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the value of silver.

[1] This has arisen, not, as Dr. Smith erroneously supposes, from the value of corn being comparatively invariable but from its having a natural tendency to rise in value or price, according as society advances or population becomes denser.—See notes on Rent and Wages, end of the Volume.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland, where the denomination of the coin has undergone much greater alterations than it ever did in England, and in France where it has undergone still greater than it ever did in Scotland, some ancient rents, originally of considerable value, have in this manner been reduced almost to nothing.

Equal quantities of labour will, at distant times, be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or, perhaps, of any other commodity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost any other commodity; for even equal quantities of corn will not do it exactly. The subsistence of the labour, or the real price of labour, as I shall endeavour to show hereafter, is very different upon different occasions; more liberal in a society advancing to opulence than in one that is standing still, and in one that is standing still, than in one that is going backwards. Every other commodity, however, will, at any particular time, purchase a greater or smaller quantity of labour in proportion to the quantity of subsistence which it can purchase at that time. A rent, therefore, reserved in corn is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase; but a rent reserved in any other commodity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

Though the real value of a corn-rent, it is to be observed, however, varies much less from century to century than that of a money-rent, it varies much more from year to year. The money-price of labour, as I shall endeavour to show hereafter, does not fluctuate from year to year with the money-price of corn, but seems to be everywhere accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn, again, is regulated, as I shall likewise endeavour to show hereafter, by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money-price of corn, therefore, may, during so long a period, continue the same, or very nearly the same, too, and along with it the money-price of labour, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the mean time, the temporary and occasional price of corn may frequently be double one year of what it had been the year before, or fluctuate, for example, from five-and-twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal but the real value of a corn-rent will be double of what it is when at the former, or will command double the quantity either of labour or of the greater part of other commodities; the money-price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate, measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour we can, with the greatest accuracy, estimate it both from century to century, and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

But though in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price, it is of none in buying and selling, the more common and ordinary transactions of human life.

At the same time and place the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact measure of the real

exchangeable value of all commodities. It is so, however, at the same time and place only.

Though, at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China, may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these which half an ounce could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must, in this case, compare, not so much the different quantities of silver for which it was commonly sold, as the different quantities of labour which those different quantities of silver could have purchased. But the current prices of labour at distant times and places can scarce ever be known with any degree of exactness. Those of corn, though they have in few places been regularly recorded, are in general better known and have been more frequently taken notice of by historians and other writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour, but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.

In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration. They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happened first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money, they have generally continued to do so, even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war [1], when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed either in *asses* or in *sestertii*. The *as* was always the denomination of a copper coin. The word *Sestertius* signifies two *Asses* and a half. Though the *sestertius*, therefore, was originally a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money, was said to have a great deal of other people's copper.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III., nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally computed in silver; and, when we mean to express the amount of a person's fortune, we seldom mention the number of guineas, but the number of pounds sterling which we suppose would be given for it.

Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion

[1] Pliny, lib. xxxiii. c. 3.

between the values of gold and silver money was not fixed by any public law or proclamation; but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon.[1] Copper is not at present a legal tender, except in the change of the smaller silver coins. In this state of things the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and, consequently, better acquainted with the proportion between their respective values, it has in most countries, I believe, been found convenient to ascertain this proportion, and to declare by a public law that a guinea, for example, of such a weight and fineness, should exchange for one-and-twenty shillings, or be a legal tender for a debt of that amount. In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal which is the standard, and that which is not the standard, becomes little more than a nominal distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty or raised to two-and-twenty shillings, all accounts being kept, and almost all obligations for debt being expressed in silver money, the greater part of payments could, in either case, be made with the same quantity of silver money as before, but would require very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for; and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr. Drummond's notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guineas in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory notes and other obligations for money in this manner, should ever become general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion between the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole coin.[2] Twelve copper pence contain half a pound,

[1] According to the late Lord Liverpool, who has very carefully investigated this subject. (*Treatise on Coins*. p. 128), gold coins passed current at certain rates fixed from time to time by royal proclamation, and have consequently been legal tender, from the time gold began to be coined in England in 1257, till 1664, when the guinea, which was then first coined, and the other gold coins, were permitted to pass current, without any valuation according to the relative worth of gold and silver in the market. This practice continued till 1717, when the rate or value at which a guinea should exchange was fixed at twenty-one shillings. From this period till 1774, gold and silver coins were equally legal tender; but from the circumstance of gold having been overvalued with respect to silver, in the proportion fixed in 1717, almost all large payments were made in gold, silver coins of full weight being exported as soon as they came from the mint, while none but those that were worn and debased remained in circulation. In 1774 it was enacted, that no tender made in silver coin by *tale* should be legal for more than 25*l*.; and that any tender for a larger sum in silver coin must be made by weight at the rate of 5*s*. 2*d*. an ounce. And finally, in 1816, the value of silver was raised above its just proportion, as compared with gold, by coining sixty-six shillings instead of sixty-two out of the pound troy, the additional four shillings being retained by government as a seignorage, or duty, of 6 14-31 per cent. on the coinage: but, in order to prevent this overvalued silver currency from driving the gold currency out of the country, and becoming the sole medium of exchange, it was at the same time enacted, that silver should be legal tender to the extent of *forty* shillings only: while, to prevent its sinking in value from redundancy, the power to issue it was placed exclusively in the hands of government. Under these regulations, silver has become a merely subordinate species of currency, occupying the same place in relation to gold that copper occupies in relation to itself. This system has been found to answer extremely well.

[2] This is an error. The value of silver is in no respect, nor under any circumstances, dependent upon or regulated by the value of gold, and conversely; and the same principle holds with respect to the values of such gold and silver coins as are equally legal tender. The reason why the currency of some countries consists principally of gold, while that of others consists principally of silver, is most commonly to be found in their mint regulations. The value of each of the precious metals being liable, like that of all other commodities, to perpetual variations, it necessarily follows that the proportion fixed by the government at which they shall be interchangeable, how accurately soever it may have corresponded with the proportion which they actually bore to each other in the market, at the time when it was fixed, must soon cease to express their real relation to each other. As soon, however, as this discrepancy takes place, it becomes the obvious interest of all debtors to pay their debts in coin of that metal which is overvalued in the mint proportion: the undervalued metal being exported by the bullion

avoirdupois of copper, of not the best quality, which before it is coined, is seldom worth seven-pence in silver. But, as by the regulation twelve such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain, the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which, perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near perhaps to its standard weight as it is possible to bring the current coin of any nation; and the order, to receive no gold at the public offices but by weight, is likely to preserve it so long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint a pound weight of gold is coined into forty-four guineas and a half, which, at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth 3*l.* 17*s.* 10½*d.* in silver. In England no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and ten-pence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin the price of standard gold bullion in the market had for many years been upwards of 3*l.* 18*s.*, sometimes 3*l.* 19*s.*, and very frequently 4*l.* an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin the market price of standard gold bullion seldom exceeds 3*l.* 17*s.* 7*d.* an ounce. Before the reformation of the gold coin the market price was always more or less above the mint price. Since that reformation the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably too in proportion to all other commodities; though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value either of gold or silver coin in proportion to them, may not be so distinct and sensible.

In the English mint a pound weight of standard silver bullion is coined into sixty-two shillings, containing in the same manner a pound weight of standard silver.[1] Five shillings and two-pence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and four-pence, five shillings and five-pence, five shillings and sixpence, five shillings and seven-pence, and very often five shillings and eight-pence an ounce. Five shillings and seven-pence, however, seems to have been the most common price. Since the reformation of the gold coin the market price of standard silver bullion has fallen occasionally to five shillings and three-pence, five shillings and four-pence, and five shillings and five-pence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation in the gold coin, it has not fallen so low as the mint price.[2]

merchants to other countries. The history of the coinages of France and England affords abundant proofs of the truth of this statement. In France, for example, previously to the re-coinage in 1785, the *louis d'or* was rated in the mint proportion at only 24 livres, when it was really worth 25 livs. 10 sols Those, therefore, who should have discharged the obligations they had contracted, by payments of gold rather than of silver, would plainly have lost 1 liv. 10 sols on every sum of 24 livres! The consequence was, that very few such payments were made; that gold was nearly banished from circulation, and that silver became almost the only species of metallic currency used in France. (Say, *Traité d' Economie Politique*, tome i. p. 393. (dit. 4me.) In England, the over-valuation of gold with respect to silver in the mint proportion fixed in 1717, produced, as has been already seen (p. 18.) a directly opposite effect. This over-valuation was estimated by the late Lord Liverpool, to have been at the time about equal to four-pence on the guinea, or to 1 19-51 per cent.; and as the real value of silver, with respect to gold, continued to increase during the greater part of last century, the advantage of paying in gold in preference to silver became more decided; and ultimately led, as has been previously observed, to the universal use of gold in large payments, and to the exportation of all silver coins of full weight.

[1] Since 1816, a pound of standard silver bullion has been coined into sixty-six shillings, but its mint price is still fixed at five shillings and two-pence an ounce, the additional four shillings being retained as a seignorage or duty on the coinage.

[2] For some account of the fluctuations in the price of bullion since 1797, see the note on Money, end of the volume.

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin it exchanges for about fifteen ounces, that is, for more silver than it is worth according to the common estimation of Europe. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold; for the same reason that copper in bars preserves its proper proportion to silver.

Upon the reformation of the silver coin in the reign of William III. the price of silver bullion still continued to be somewhat above the mint price. Mr. Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin;[1] and yet the price of gold bullion has fallen below the mint price. But in the English coin silver was then, in the same manner as now, under-rated in proportion to gold; and the gold coin (which at that time too was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case be a profit in melting it down, in order, first, to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

The inconveniency perhaps would be less if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it; provided it was at the same time enacted that silver should not be a legal tender for more than the change of a guinea; in the same manner as copper is not a legal tender for more than the change of a shilling.[2] No creditor could in this case be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them, they sometimes endeavour to gain time by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate payment. They would be obliged in consequence to keep at all times in their coffers a greater quantity of cash than at present; and though this might no doubt be a considerable inconveniency to them, it would at the same time be a considerable security to their creditors.

Three pounds seventeen shillings and tenpence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion; and, though in England the coinage is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion. If in the English coin silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

A small seignorage or duty upon the coinage of both gold and silver would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion. The coinage would in this case increase the value of the metal coined in proportion to the extent of this small duty; for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent

[1] The act prohibiting the exportation of gold and silver coin was repealed in 1819. Both may now be exported without check or control of any sort.

[2] This suggestion has been acted upon;—silver is now rated above its proper proportion to gold, and is legal tender only to the extent of 40*s*. See note, p. 18.

the melting down of the coin, and would discourage its exportation. If upon any public exigency it should become necessary to export the coin, the greater part of it would soon return again of its own accord. Abroad it could sell only for its weight in bullion. At home it would buy more than that weight. There would be a profit, therefore, in bringing it home again. In France a seignorage of about eight per cent[1] is imposed upon the coinage, and the French coin, when exported, is said to return home again of its own accord.[2]

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate, require, in all countries which possess no mines of their own, a continual importation, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what, they judge, is likely to be the immediate demand. With all their attention, however, they sometimes over-do the business, and sometimes under-do it. When they import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin, which; at that time renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause.

The money of any particular country is, at any particular time and place, more or less an accurate measure of value according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold, or eleven ounces of fine gold and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold, the diminution, however, being greater in some pieces than in others; the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard, the merchant adjusts the price of his goods, as well as he can, not to what those weights and measures ought to be, but to what, upon an average, he finds by experience they actually are. In consequence of a like disorder in the coin the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found by experience it actually does contain.

By the money price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eight-pence, for example, in the time of Edward I., I consider as the same money price with a pound sterling in the present times; because it contained, as nearly as we can judge, the same quantity of pure silver.

CHAP. VI.

Of the Component Parts of the Price of Commodities.[3]

In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be

[1] This is an error into which Dr. Smith was betrayed by trusting to the *Dictionnaire des Monnoies* of Bazinghen. In 1771, the seignorage on gold in France was fixed at 1 4-15 per cent., and on silver at 1 7-24 per cent. At this moment it is so low as hardly to cover the expense of coinage, being only about ½ per cent. on gold, and 1½ per cent. on silver. See Necker, *Administration des Finances*, tome iii. p. 8.

[2] For a further illustration of this principle, see note on Money, end of the volume.

[3] It has been already shown (Introductory Discourse, s. 2.) that the doctrine laid down in this chapter, that the value of commodities in an advanced state of society varies according to the variations of rent, profit, and wages, is fundamentally erroneous. These variations merely affect the distribution of commodities, or the proportions in which they are divided among landlords, capitalists, and labourers, and have nothing to do with their value, or with their power to exchange for, or buy each other and labour. For a further elucidation of this principle, the reader is referred to the note at the end of the volume, on the Effect of Variations in the Rates of Wages and Profits on the Value of Commodities.

the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour.

If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the produce of one hour's labour in the one way may frequently exchange for that of two hours' labour in the other.

Or if the one species of labour requires an uncommon degree of dexterity and ingenuity, the esteem which men have for such talents will naturally give a value to their produce, superior to what would be due to the time employed about it. Such talents can seldom be acquired but in consequence of long application; and the superior value of their produce may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them. In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour; and something of the same kind must probably have taken place in its earliest and rudest period.

In this state of things the whole produce of labour belongs to the labourer; and the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for.

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials and the wages of the workmen, something must be given for the profits of the undertaker of the work, who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction.[1] They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock.[2] Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two different manufactures, in each of which twenty workmen are employed at the rate of fifteen pounds a year each, or at the expense of three hundred a year in each manufactory. Let us suppose too, that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the one will in this case amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect an yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different[3], their labour of inspection and direction may be either altogether or very nearly the same. In many great works almost the whole labour of this kind is committed to some principal clerk. His wages properly express the value of this labour of inspection and direction. Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they

[1] The wages of a capitalist in superintending the employment of his capital or stock, in any department of industry, are most commonly reckoned as a portion of the profits of that capital. These, however, though generally confounded, are, in truth, totally distinct and separate items; and when the former are, as they always may be, deducted and set aside, the remainder forms the net return to, or profit on the capital employed; and may, therefore, be said to be the wages of the labour originally expended in the formation of the capital, or that would now be required to form an equal capital.

[2] The *gross amount* of profits depends, of course, in such a case as this, on the amount of capital employed; but the *rate* of profit would not be affected by that capital being large or small.

[3] The amount of their profits is different, because the amount of their capitals is different; but the *rate* of profit accruing to each is precisely the same.

never bear any regular proportion to the capital of which he overseers the management; and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profits should bear a regular proportion to his capital. In the price of commodities, therefore, the profits of stock constitute a component part altogether different from the wages of labour, and regulated by quite different principles.

In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.[1]

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them; and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part.[2]

The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them purchase or command. Labour measures the value, not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit.

In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved society all the three enter more or less, as component parts, into the price of the far greater part of commodities.

In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his labouring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same three parts; the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer who advances both the rent of this land and the wages of this labour. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, of labour and profit.

In the price of flour or meal, we must add to the price of the corn the profits of the miller and the wages of his servants; in the price of bread, the profits of the baker and the wages of his servants; and in the price of both, the labour of transporting the corn from the house of the farmer to that of the miller, and from that of the miller to that of the baker, together with the profits of those who advance the wages of that labour.

The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, &c., together with the profits of their respective employers.

As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent. In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing; because the capital from which it is derived must always be greater. The capital which employs the weavers, for example, must be greater than that which employs the spinners, because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers; and the profits must always bear some proportion to the capital.

In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall show hereafter. It is otherwise, at least through the greater part of Europe, in river fisheries. A salmon fishery pays a rent; and rent, though it cannot well be called the

[1] See note 3, p. 21.

[2] See note on Rent, at end of the volume

rent of land, makes a part of the price of a salmon as well as wages and profit. In some parts of Scotland a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of Scotch Pebbles. The price which is paid to them by the stone-cutter is altogether the wages of their labour; neither rent nor profit make any part of it.

But the whole price of any commodity must still finally resolve itself into some one or other, or all of those three parts; as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must necessarily be profit to somebody.

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land; the whole of what is annually either collected or produced by the labour of every society, or what comes to the same thing, the whole price of it, is in this manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue is ultimately derived from some one or other of these.

Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages. That derived from stock, by the person who manages or employs it, is called profit. That derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money. It is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is a spendthrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and belongs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the profits of this stock. All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land.

When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same they are sometimes confounded with one another, at least in common language.

A gentleman who farms a part of his own estate, after paying the expense of cultivation, should gain both the rent of the landlord and the profit of the farmer. He is apt to denominate, however, his whole gain, profit, and thus confounds rent with profit, at least in common language. The greater part of our North American and West Indian planters are in this situation. They farm, the greater part of them, their own estates, and accordingly we seldom hear of the rent of a plantation, but frequently of its profit.

Common farmers seldom employ any overseer to direct the general operations of the farm. They generally too work a good deal with their own hands, as ploughmen, harrowers, &c. What remains of the crop after paying the rent, therefore, should not only replace to them their stock employed in cultivation, together with its ordinary profits, but pay them the wages which are due to them, both as labourers and overseers. Whatever remains, however, after paying the rent and keeping up the stock, is called profit. But wages evidently make a part of it. The farmer, by saving these wages, must necessarily gain them. Wages, therefore, are in this case confounded with profit.

An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of the journeyman's work. His whole gains, however, are commonly called profit, and wages are, in this case too, confounded with profit.

A gardener who cultivates his own garden with his own hands, unites in his own person the three different characters of landlord, farmer, and labourer. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the earnings of his labour. Both rent and profit are, in this case, confounded with wages.

As in a civilised country there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them [1]; so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle every where consume a great part of it; and according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase, or diminish, or continue the same from one year to another.

CHAP. VII.

Of the Natural and Market Price of Commodities. [2]

THERE is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition; and partly by the particular nature of each employment.

There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated too, as I shall show hereafter, partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land.

These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail.

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market according to their natural rates, the commodity is then sold for what may be called its natural price.

The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market; for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a looser by the trade; since by employing his stock in some other way he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence; so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him.

Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty, or where he may change his trade as often as he pleases.

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price.

The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour, and profit, which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand; since it may be sufficient to effectuate the bringing of the commodity to market. It is different from the absolute demand. A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it.

When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want it altogether, some of them will be willing to give more. A competition will

[1] An erroneous position. See note on the Effect of Variations in the Rates of Wages and Profits on the Value of Commodities end of the volume.

[2] Though Dr. Smith erred in estimating the elements that enter into, and form the natural price of commodities, the principle laid down in this chapter that their market price is perpetually gravitating towards, and cannot, generally speaking, ever diverge considerably from their natural price, or *cost of production*, is equally true and important. For some farther illustrations of this principle, see *Principles of Political Economy*, 2d ed. pp. 306–314

mmediately begin among them, and the market price will rise more or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition. Among competitors of equal wealth and luxury the same deficiency will generally occasion a more or less eager competition, according as the acquisition of the commodity happens to be of more or less importance to them. Hence the exorbitant price of the necessaries of life during the blockade of a town or in a famine.

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity. The same excess in the importation of perishable, will occasion a much greater competition than in that of durable commodities; in the importation of oranges, for example, than in that of old iron.

When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with the natural price. The whole quantity upon hand can be disposed of for this price and cannot be disposed of for more. The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less.

The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is the interest of all those who employ their land, labour, or stock, in bringing any commodity to market, that the quantity never should exceed the effectual demand; and it is the interest of all other people that it never should fall short of that demand.

If at any time it exceeds the effectual demand, some of the component parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it.

The whole quantity of industry annually employed in order to bring any commodity to market, naturally suits itself in this manner to the effectual demand. It naturally aims at bringing always that precise quantity thither which may be sufficient to supply, and no more than supply, that demand.

But in some employments the same quantity of industry will in different years produce very different quantities of commodities; while in others it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, &c. But the same number of spinners and weavers will every year produce the same or very nearly the same quantity of linen and woollen cloth. It is only the average produce of the one species of industry which can be suited in any respect to the effectual demand; and as its actual produce is frequently much greater and frequently much less than its average produce, the quantity of the commodities brought to market will sometimes exceed a good deal, and sometimes fall short a good deal, of the effectual demand. Even though that demand, therefore, should continue always the same, their market price will be liable to great fluctuations, will sometimes fall a good deal below, and sometimes rise a good deal above their natural price. In the other species of industry, the produce of equal quantities of labour

being always the same, or very nearly the same, it can be more exactly suited to the effectual demand. While that demand continues the same, therefore, the market price of the commodities is likely to do so too, and to be either altogether, or as nearly as can be judged of, the same with the natural price. That the price of linen and woollen cloth is liable neither to such frequent nor to such great variations as the price of corn, every man's experience will inform him. The price of the one species of commodities varies only with the variations in the demand; that of the other varies, not only with the variations in the demand, but with the much greater and more frequent variations in the quantity of what is brought to market in order to supply that demand.

The occasional and temporary fluctuations in the market price of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself into rent is less affected by them. A rent certain in money is not in the least affected by them either in its rate or in its value. A rent which consists either in a certain proportion or in a certain quantity of the rude produce, is no doubt affected in its yearly value by all the occasional and temporary fluctuations in the market price of that rude produce: but it is seldom affected by them in its yearly rate. In settling the terms of the lease, the landlord and farmer endeavour, according to their best judgment, to adjust that rate, not to the temporary and occasional, but to the average and ordinary price of the produce.

Such fluctuations affect both the value and the rate either of wages or of profit, according as the market happens to be either overstocked or under-stocked with commodities or with labour; with work done, or with work to be done. A public mourning raises the price of black cloth (with which the market is almost always under-stocked upon such occasions), and augments the profits of the merchants who possess any considerable quantity of it. It has no effect upon the wages of the weavers. The market is understocked with commodities, not with labour; with work done, not with work to be done. It raises the wages of journeymen tailors. The market is here under-stocked with labour. There is an effectual demand for more labour, for more work to be done than can be had. It sinks the price of coloured silks and cloths, and thereby reduces the profits of the merchants who have any considerable quantity of them upon hand. It sinks, too, the wages of the workmen employed in preparing such commodities, for which all demand is stopped for six months, perhaps for a twelvemonth. The market is here overstocked both with commodities and with labour.

But, though the market price of every particular commodity is in this manner continually gravitating, if one may say so, towards the natural price, yet sometimes particular accidents, sometimes natural causes, and sometimes particular regulations of police, may, in many commodities, keep up the market price, for a long time together a good deal above the natural price.

When by an increase in the effectual demand, the market price of some particular commodity happens to rise a good deal above the natural price, those who employ their stocks in supplying that market, are generally careful to conceal this change. If it was commonly known, their great profit would tempt so many new rivals to employ their stocks in the same way, that, the effectual demand being fully supplied, the market price would soon be reduced to the natural price, and perhaps for some time even below it. If the market is at a great distance from the residence of those who supply it, they may sometimes be able to keep the secret for several years together, and may so long enjoy their extraordinary profits without any new rivals. Secrets of this kind, however, it must be acknowledged, can seldom be long kept; and the extraordinary profit can last very little longer than they are kept.

Secrets in manufactures are capable of being longer kept than secrets in trade. A dyer who has found the means of producing a particular colour with materials which cost only half the price of those commonly made use of, may, with good management, enjoy the advantage of his discovery as long as he lives, and even leave it as a legacy to his posterity. His extraordinary gains arise from the high price which is paid for his private labour.[1] They properly consist in the high wages of that labour. But as they are repeated upon every part of his stock, and as their whole amount bears, upon that account, a regular proportion to it, they are commonly considered as extraordinary profits of stock.

Such enhancements of the market price are evidently the effects of particular accidents, of which, however, the operation may sometimes last for many years together.

Some natural productions require such a singularity of soil and situation, that all the land in a great country, which is fit for producing them, may not be sufficient to supply

[1] They really arise from the *monopoly* he enjoys of his discovery, or from his being able to avail himself of it without being exposed to the competition of others. This gives him the power of selling articles produced at a comparatively small expense, at the same price as those produced by a more costly process.

the effectual demand. The whole quantity brought to market, therefore, may be disposed of to those who are willing to give more than what is sufficient to pay the rent of the land which produced them, together with the wages of the labour, and the profits of the stock which were employed in preparing and bringing them to market, according to their natural rates. Such commodities may continue for whole centuries together to be sold at this high price; and that part of it which resolves itself into the rent of land is in this case the part which is generally paid above its natural rate. The rent of the land which affords such singular and esteemed productions, like the rent of some vineyards in France of a peculiarly happy soil and situation, bears no regular proportion to the rent of other equally fertile and equally well-cultivated land in its neighbourhood. The wages of the labour and the profits of the stock employed in bringing such commodities to market, on the contrary, are seldom out of their natural proportion to those of the other employments of labour and stock in their neighbourhood.

Such enhancements of the market price are evidently the effect of natural causes which may hinder the effectual demand from ever being fully supplied, and which may continue, therefore, to operate for ever.

A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate.

The price of monopoly is, upon every occasion, the highest which can be got.[1] The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion, indeed, but for any considerable time together. The one is upon every occasion the highest, which can be squeezed out of the buyers, or which, it is supposed, they will consent to give: the other is the lowest which the sellers can commonly afford to take, and at the same time continue their business.

The exclusive privileges of corporations, statutes of apprenticeship, and all those laws which restrain, in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price, and maintain both the wages of the labour and the profits of the stock employed about them somewhat above their natural rate.[2]

Such enhancements of the market price may last as long as the regulations of police which give occasion to them.

The market price of any particular commodity, though it may continue long above, can seldom continue long below its natural price. Whatever part of it was paid below the natural rate, the persons whose interest it affected would immediately feel the loss, and would immediately withdraw either so much land, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon be no more than sufficient to supply the effectual demand. Its market price, therefore, would soon rise to the natural price. This at least would be the case where there was perfect liberty.

The same statutes of apprenticeship and other corporation laws indeed, which, when a manufacture is in prosperity, enable the workman to raise his wages a good deal above their natural rate, sometimes oblige him, when it decays, to let them down a good deal below it. As in the one case they exclude many people from his employment, so in the other they exclude him from many employments. The effect of such regulations, however, is not near so durable in sinking the workman's wages below, as in raising them above their natural rate. Their operation in the one way may endure for many centuries, but in the other it can last no longer than the lives of some of the workmen who were bred to the business in the time of its prosperity. When they are gone, the number of those who are afterwards educated to the trade will naturally suit itself to the effectual demand. The police must be as violent as that of Indostan or ancient Egypt, where every man was bound by a principle of religion to follow the occupation of his father, (and was supposed to commit the most horrid sacrilege if he changed it for another,) which can in any particular employment, and for several generations together, sink either the wages of labour or the profits of stock below their natural rate.

This is all that I think necessary to be observed at present concerning the devi-

[1] This is too strongly stated. Monopoly prices are generally, but not always, the highest that can be got.

[2] Perhaps Dr. Smith has rather overrated the effect of corporation privileges. At all events, they do not enrich those whom they protect from competition, by enabling them to realise greater wages and profits than they would do were they abolished, but by enabling them to realise a sum over and above both the one and the other, and which is wholly the result of the monopoly.

ations, whether occasional or permanent, of the market price of commodities from the natural price.

The natural price itself varies with the natural rate of each of its component parts, of wages, profit, and rent; and in every society this rate varies according to their circumstances, according to their riches or poverty, their advancing, stationary, or declining condition. I shall, in the four following chapters, endeavour to explain, as fully and distinctly as I can, the causes of those different variations.

First, I shall endeavour to explain what are the circumstances which naturally determine the rate of wages, and in what manner those circumstances are affected by the riches or poverty, by the advancing, stationary, or declining state of the society.

Secondly, I shall endeavour to show what are the circumstances which naturally determine the rate of profit, and in what manner too those circumstances are affected by the like variations in the state of the society.

Though pecuniary wages and profit are very different in the different employments of labour and stock, yet a certain proportion seems commonly to take place between both the pecuniary wages in all the different employments of labour, and the pecuniary profits in all the different employments of stock. This proportion, it will appear hereafter, depends partly upon the nature of the different employments, and partly upon the different laws and policy of the society in which they are carried on. But though in many respects dependent upon the laws and policy, this proportion seems to be little affected by the riches or poverty of that society; by its advancing, stationary, or declining condition; but to remain the same, or very nearly the same, in all those different states. I shall, in the third place, endeavour to explain all the different circumstances which regulate this proportion.

In the fourth and last place, I shall endeavour to show what are the circumstances which regulate the rent of land, and which either raise or lower the real price of all the different substances which it produces.

CHAP. VIII.

Of the Wages of Labour.[1]

THE produce of labour constitutes the natural recompence or wages of labour.

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.

Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity.

But though all things would have become cheaper in reality, in appearance many things might have become dearer than before, or have been exchanged for a greater quantity of other goods. Let us suppose, for example, that in the greater part of employments the productive powers of labour had been improved to tenfold, or that a day's labour could produce ten times the quantity of work which it had done originally; but that in a particular employment they had been improved only to double, or that a day's labour could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labour in the greater part of employments, for that of a day's labour in this particular one, ten times the original quantity of work in them would purchase only twice the original quantity in it. Any particular quantity in it, therefore, a pound weight, for example, would appear to be five times dearer than before. In reality, however, it would be twice as cheap. Though it required five times the quantity of other goods to purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would be twice as easy as before.

But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompence or wages of labour.

As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon the land.

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who em-

[1] The statements and reasonings in this chapter are, generally speaking, accurate, liberal, and conclusive. A few supplemental observations have been added in the note on Wages at the end of the volume.

ploys him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labour which is employed upon land.

The produce of almost all other labour is liable to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.

It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work, and to maintain himself till it be completed. He is both master and workman, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.[1]

Such cases, however, are not very frequent and in every part of Europe, twenty workmen serve under a master for one that is independent; and the wages of labour are every where understood to be, what they usually are, when the labourer is one person, and the owner of the stock which employs him another.

What are the common wages of labour, depends every where upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen.[2] We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things, which nobody ever hears of. Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve, or frighten their masters into an immediate compliance with their demands.[3] The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much

[1] The common and ordinary rate of wages in any country, really depends on the magnitude of that portion of its capital which is appropriated to the payment of wages, compared with the number of its labourers. See note on Wages, end of the volume.

[2] The laws preventing *voluntary* combinations among workmen for advancing their wages, or for regulating the terms on which they sell their labour, were repealed, in 1824, by the stat. 5 Geo. 4. cap. 95.

[3] This, though not unfrequently, is very far indeed from being always the case. On the contrary the proceedings of some of the most obstinate combinations for an advance of wages have been distinguished by the most perfect abstinence from anything approaching to violence.

severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing but the punishment or ruin of the ringleaders.

But though in disputes with their workmen, masters must generally have the advantage, there is however a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common labourers must every where earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself. But one-half the children born, it is computed, die before the age of manhood. The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least seems certain, that in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned or in any other, I shall not take upon me to determine.

There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this rate; evidently the lowest which is consistent with common humanity.

When in any country the demand for those who live by wages—labourers, journeymen, servants of every kind—is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages.

The demand for those who live by wages it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds; first, the revenue which is over and above what is necessary for the maintenance; and, secondly, the stock which is over and above what is necessary for the employment of their masters.

When the landlord, annuitant, or monied man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants. Increase this surplus, and he will naturally increase the number of those servants.

When an independent workman, such as a weaver or shoemaker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus, and he will naturally increase the number of his journeymen.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly, in the present times, a much richer country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England. In the province of New York, common labourers earn [1] three shillings and sixpence currency, equal to two shillings sterling, a day; ship carpenters, ten shillings and sixpence currency, with a pint of rum worth sixpence sterling,

[1] This was written in 1773, before the commencement of the late disturbances. (Note by the author.)

equal in all to six shillings and sixpence sterling; house carpenters and bricklayers, eight shillings currency, equal to four shillings and sixpence sterling; journeymen tailors, five shillings currency, equal to about two shillings and ten pence sterling. These prices are all above the London price; and wages are said to be as high in the other colonies as in New York. The price of provisions is every where in North America much lower than in England. A dearth has never been known there. In the worst seasons, they have always had a sufficiency for themselves, though less for exportation. If the money price of labour, therefore, be higher than it is any where in the mother country, its real price, the real command of the necessaries and conveniences of life which it conveys to the labourer, must be higher in a still greater proportion.

But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. The most decisive mark of the prosperity of any country is the increase of the number of its inhabitants. In Great Britain, and most other European countries, they are not supposed to double in less than five hundred years.[1] In the British colonies in North America, it has been found, that they double in twenty or five-and-twenty years. Nor in the present times is this increase principally owing to the continual importation of new inhabitants, but to the great multiplication of the species. Those who live to old age, it is said, frequently see there from fifty to a hundred, and sometimes many more, descendants from their own body. Labour is there so well rewarded that a numerous family of children, instead of being a burthen, is a source of opulence and prosperity to the parents. The labour of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little chance for a second husband, is there frequently courted as a sort of fortune. The value of children is the greatest of all encouragements to marriage. We cannot, therefore, wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America. The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent; but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago, describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had, perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire. The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work-houses, for the calls of their customers, as in Europe, they are continually running about the streets with the tools of their respective trades, offering their service, and as it were begging employment. The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe. In the neighbourhood of Canton many hundreds, it is commonly said, many thousand families have no habitation on the land, but live constantly in little fishing boats upon the rivers and canals. The subsistence which they find there is so scanty that they are eager to fish up the nastiest garbage thrown overboard from any European ship. Any carrion, the carcass of a dead dog or cat, for

[1] The increase of population in Great Britain has been greatly accelerated since 1776, when the Wealth of Nations was published. See tables in the note on Population at the end.

example, though half putrid and stinking, is as welcome to them as the most wholesome food to the people of other countries. Marriage is encouraged in China, not by the profitableness of children, but by the liberty of destroying them. In all great towns, several are every night exposed in the street, or drowned like puppies in the water. The performance of this horrid office is even said to be the avowed business by which some people earn their subsistence.

China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are nowhere deserted by their inhabitants. The lands which had once been cultivated are nowhere neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable and scanty subsistence of the labourer. Many would not be able to find employment even upon these hard terms, but would either starve or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes, till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it, and which had escaped either the tyranny or calamity which had destroyed the rest. This perhaps is nearly the present state of Bengal, and of some other of the English settlements in the East Indies. In a fertile country which had before been much depopulated, where subsistence, consequently, should not be very difficult, and where, notwithstanding three or four hundred thousand people die of hunger in one year, we may be assured that the funds destined for the maintenance of the labouring poor are fast decaying. The difference between the genius of the British constitution which protects and governs North America, and that of the mercantile company which oppresses and domineers in the East Indies, cannot perhaps be better illustrated than by the different state of those countries.

The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth. The scanty maintenance of the labouring poor, on the other hand, is the natural symptom that things are at a stand, and their starving condition that they are going fast backwards.

In Great Britain the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this point, it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to do this. There are many plain symptoms that the wages of labour are nowhere in this country regulated by this lowest rate, which is consistent with common humanity.

First, In almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expense of fuel, the maintenance of a family is most expensive in winter. Wages, therefore, being highest when this expense is lowest, it seems evident that they are not regulated by what is necessary for this expense; but by the quantity and supposed value of the work. A labourer, it may be said indeed, ought to save part of his summer wages in order to defray his winter expense; and that through the whole year they do not exceed what is necessary to maintain his family through the whole year. A slave, however, or one absolutely dependent on us for immediate subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his daily necessities.

Secondly, The wages of labour do not in Great Britain fluctuate with the price of provisions. These vary everywhere from year to year, frequently from month to month. But in many places the money price of labour remains uniformly the same sometimes for half a century together. If in these places, therefore, the labouring poor can maintain their families in dear years, they must be at their ease in times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of provisions during these ten years past has not in many parts of the kingdom been accompanied with any sensible rise in the money price of labour. It has, indeed, in some; owing probably more to the increase of the demand for labour than to that of the price of provisions.

Thirdly, As the price of provisions varies more from year to year than the wages of labour, so, on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher's meat are generally the same, or very nearly the same, through the greater part of the United Kingdom. These and most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap or cheaper in great towns than in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter. But the wages of labour in a great town and its neighbourhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent. higher than at a few miles distance. Eighteen pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance it falls to fourteen and fifteen pence. Tenpence may be reckoned its price in Edinburgh and its neighbourhood. At a few miles distance it falls to eight pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England.[1] Such a difference of prices, which it seems is not always sufficient to transport a man from one parish to another, would necessarily occasion so great a transportation of the most bulky commodities, not only from one parish to another, but from one end of the kingdom, almost from one end of the world to the other, as would soon reduce them more nearly to a level. After all that has been said of the levity and inconstancy of human nature, it appears evidently from experience, that a man is of all sorts of luggage the most difficult to be transported. If the labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

Fourthly, The variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite.

Grain, the food of the common people, is dearer in Scotland than in England, whence Scotland receives almost every year very large supplies.[2] But English corn must be sold dearer in Scotland, the country to which it is brought, than in England, the country from which it comes; and in proportion to its quality it cannot be sold dearer in Scotland than the Scotch corn that comes to the same market in competition with it. The quality of grain depends chiefly upon the quantity of flour or meal which it yields at the mill, and in this respect English grain is so much superior to the Scotch, that, though often dearer in appearance, or in proportion to the measure of its bulk, it is generally cheaper in reality, or in proportion to its quality, or even to the measure of its weight. The price of labour, on the contrary, is dearer in England than in Scotland. If the labouring poor, therefore, can maintain their families in the one part of the United Kingdom, they must be in affluence in the other. Oatmeal indeed supplies the common people in Scotland with the greatest and the best part of their food, which is in general much inferior to that of their neighbours of the same rank in England. This difference, however, in the mode of their subsistence, is not the cause but the effect of the difference in their wages; though, by a strange misapprehension, I have frequently heard it represented as the cause. It is not because one man keeps a coach while his neighbour walks a-foot, that the one is rich and the other poor; but because the one is rich he keeps a coach, and because the other is poor he walks a-foot.

During the course of the last century, taking one year with another, grain was dearer in both parts of the United Kingdom than during that of the present.[3] This is a matter of fact which cannot now admit of any reasonable doubt; and the proof of it is, if possible, still more decisive with regard to Scotland than with regard to England. It is in Scotland supported by the evidence of the public fiars, annual valuations made upon oath, according to the actual state of the markets, of all the different sorts of grain in every different county of Scotland. If such direct proof could require any collateral evidence to confirm it, I would observe that this has likewise been the case in France, and probably in most other parts of Europe. With regard to France there is the clearest proof. But though it is certain that in both parts of the United Kingdom grain was somewhat dearer in the last century than in the present, it is equally certain that labour was much cheaper. If the labouring poor,

[1] The great increase of communication between the various provinces of the empire, that has taken place of late years, in consequence of the extraordinary facilities of conveyance afforded by means of improved roads, canals, railways, and steam navigation, has brought the prices of all sorts of produce, and the wages of labour in different districts much nearer to a common level than at the period of the publication of the Wealth of Nations. In the southern counties of England the wages of labour were in many places artificially reduced, in consequence of the practice adopted in 1795, and continued almost to the present day, of paying them partly out of the poor rates. But except where this pernicious practice has prevailed, they are nearly the same all over the country, and may, perhaps, be estimated, on a rough average, at from 20*d.* to 2*s.* a day.

[2] The case is now precisely the reverse; grain is not, generally speaking, so dear in Scotland as in England; and there is, pretty uniformly, an excess of exports from the former to the latter.

[3] This is true of the eighteenth century (the *present* in the text) down to 1765 only. From 1765 to 1820 the prices of all sorts of grain in Great Britain were, at an average, higher than at any former period. Since 1820 they have fallen back to nearly their old level.

therefore, could bring up their families then, they must be much more at their ease now.[1] In the last century the most usual day-wages of common labour through the greater part of Scotland were sixpence in summer and fivepence in winter. Three shillings a week, the same price very nearly, still continues to be paid in some parts of the Highlands and Western Islands. Through the greater part of the low country the most usual wages of common labour are now eightpence a day; tenpence, sometimes a shilling about Edinburgh, in the counties which border upon England, probably on account of that neighbourhood, and in a few other places where there has lately been a considerable rise in the demand for labour, about Glasgow, Carron, Ayrshire, &c. In England the improvements of agriculture, manufactures, and commerce began much earlier than in Scotland. The demand for labour, and consequently its price, must necessarily have increased with those improvements. In the last century, accordingly, as well as in the present, the wages of labour were higher in England than in Scotland. They have risen too considerably since that time, though, on account of the greater variety of wages paid there in different places, it is more difficult to ascertain how much. In 1614, the pay of a foot soldier was the same as in the present times, eightpence a day.[2] When it was first established, it would naturally be regulated by the usual wages of common labourers, the rank of people from which foot soldiers are commonly drawn. Lord Chief Justice Hales, who wrote in the time of Charles II., computes the necessary expense of a labourer's family, consisting of six persons, the father and mother, two children able to do something, and two not able, at ten shillings a week, or twenty-six pounds a year. If they cannot earn this by their labour, they must make it up, he supposes, either by begging or stealing. He appears to have inquired very carefully into this subject.[3] In 1688, Mr. Gregory King, whose skill in political arithmetic is so much extolled by Doctor Davenant, computed the ordinary income of labourers and out-servants to be fifteen pounds a year to a family, which he supposed to consist, one with another, of three and a half persons. His calculation, therefore, though different in appearance, corresponds very nearly at bottom with that of Judge Hales. Both suppose the weekly expense of such families to be about twenty pence a head. Both the pecuniary income and expense of such families have increased considerably since that time through the greater part of the kingdom; in some places more, and in some less; though perhaps scarce anywhere so much as some exaggerated accounts of the present wages of labour have lately represented them to the public. The price of labour, it must be observed, cannot be ascertained very accurately anywhere, different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities of the workmen, but according to the easiness or hardness of the masters. Where wages are not regulated by law, all that we can pretend to determine is what are the most usual; and experience seems to show that law can never regulate them properly, though it has often pretended to do so.

The real recompence of labour, the real quantity of the necessaries and conveniences of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price. Not only grain has become somewhat cheaper, but many other things from which the industrious poor derive an agreeable and wholesome variety of food, have become a great deal cheaper. Potatoes, for example, do not at present, through the greater part of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing may be said of turnips, carrots, cabbages; things which were formerly never raised but by the spade, but which are now commonly raised by the plough. All sort of garden stuff too has become cheaper. The greater part of the apples, and even of the onions consumed in Great Britain, were in the last century imported from Flanders. The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better clothing; and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of household furniture. Soap, salt, candles, leather, and fermented liquors have, indeed, become a good deal dearer; chiefly from the taxes which have been laid upon them. The quantity of these, however, which the labouring poor are under any necessity of consuming, is so very small, that the increase in their price does not compensate the diminution in that of so many other things. The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, clothing, and lodging which satisfied them in former times, may

[1] It is necessary to bear in mind that these remarks of Dr. Smith are applicable only to the condition of the labourers in 1775. See note on Wages, end of the volume.

[2] It is now 13*d.* a day from the time he is enrolled; increasing to 14*d.* after seven years' service, and to 15*d.* after fourteen years' service.

[3] See his scheme for the maintenance of the poor, in Burn's history of the Poor-laws. (Note by the author.)

convince us that it is not the money price of labour only, but its real recompence, which has augmented.

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. A half-starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury in the fair sex, while it inflames perhaps the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation.

But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced, but in so cold a soil and so severe a climate, soon withers and dies. It is not uncommon, I have been frequently told, in the Highlands of Scotland, for a mother who has borne twenty children not to have two alive. Several officers of great experience have assured me, that so far from recruiting their regiment, they have never been able to supply it with drums and fifes from all the soldiers' children that were born in it. A greater number of fine children, however, is seldom seen anywhere than about a barrack of soldiers. Very few of them, it seems, arrive at the age of thirteen or fourteen. In some places one half the children born die before they are four years of age; in many places before they are seven; and in almost all places before they are nine or ten. This great mortality, however, will everywhere be found chiefly among the children of the common people, who cannot afford to tend them with the same care as those of better station. Though their marriages are generally more fruitful than those of people of fashion, a smaller proportion of their children arrive at maturity. In foundling hospitals, and among the children brought up by parish charities, the mortality is still greater than among those of the common people.[1]

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species; and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce.[2]

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked, too, that it necessarily does this as nearly as possible in the proportion which the demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.[3]

The wear and tear of a slave, it has been said, is at the expense of his master; but that of a free servant is at his own expense.

[1] The mortality formerly so destructive in the earlier periods of life, has been very greatly diminished within the last forty or fifty years. See note on Population at the end of the volume.

[2] It may do so by giving increased efficacy to the principle of *moral restraint*, or by diminishing the number of marriages.

[3] The statements made by Dr. Smith in this chapter, with respect to the causes which stimulate, and which also set bounds to the progress of population, are most commonly accurate. But the researches of Mr. Malthus and others have shed a new and powerful light on this very important department of the science. See supplemental note on Population.

The wear and tear of the latter, however, is, in reality, as much at the expense of his master as that of the former. The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants, according as the increasing, diminishing, or stationary demand of the society may happen to require. But though the wear and tear of a free servant be equally at the expense of his master, it generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I may say so, the wear and tear of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man, is managed by the free man himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former: the strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter. Under such different management, the same purpose must require very different degrees of expense to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labour are so very high.

The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it is to lament over the necessary effect and cause of the greatest public prosperity.

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull; the declining, melancholy.

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer; and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low; in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part. Workmen, on the contrary, when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years. A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years. Something of the same kind happens in many other trades, in which the workmen are paid by the piece; as they generally are in manufactures, and even in country labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some peculiar infirmity occasioned by excessive application to their peculiar species of work. Ramazzini, an eminent Italian physician, has written a particular book concerning such diseases. We do not reckon our soldiers the most industrious set of people among us. Yet when soldiers have been employed in some particular sorts of work, and liberally paid by the piece, their officers have frequently been obliged to stipulate with the undertaker, that they should not be allowed to earn above a certain sum every day, according to the rate at which they were paid. Till this stipulation was made, mutual emulation and the desire of greater gain frequently prompted them to overwork themselves, and to hurt their health by excessive labour. Excessive application during four days of the week, is frequently the real cause of the idleness of the other three, so much and so loudly complained of. Great labour, either of mind or body, continued for several days together, is in most men naturally followed by a great desire of relaxation, which, if not restrained by force, or by some strong necessity, is almost irresistible. It is the call of nature, which requires to be relieved by some indulgence, sometimes of ease only, but sometimes too of dissipation and diversion. If it is not complied with, the consequences are often dangerous, and sometimes fatal, and such as almost always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately as to be able to work constantly, not only

preserves his health the longest, but, in the course of the year, executes the greatest quantity of work.

In cheap years, it is pretended, workmen are generally more idle, and in dear ones more industrious than ordinary. A plentiful subsistence, therefore, it has been concluded, relaxes, and a scanty one quickens their industry. That a little more plenty than ordinary may render some workmen idle, cannot well be doubted; but that it should have this effect upon the greater part, or that men in general should work better when they are ill fed than when they are well fed, when they are disheartened than when they are in good spirits, when they are frequently sick than when they are generally in good health, seems not very probable. Years of dearth, it is to be observed, are generally among the common people years of sickness and mortality, which cannot fail to diminish the produce of their industry.

In years of plenty, servants frequently leave their masters, and trust their subsistence to what they can make by their own industry. But the same cheapness of provisions, by increasing the fund which is destined for the maintenance of servants, encourages masters, farmers especially, to employ a greater number. Farmers upon such occasions expect more profit from their corn by maintaining a few more labouring servants, than by selling it at a low price in the market. The demand for servants increases, while the number of those who offer to supply that demand diminishes. The price of labour, therefore, frequently rises in cheap years.

In years of scarcity, the difficulty and uncertainty of subsistence make all such people eager to return to service. But the high price of provisions, by diminishing the funds destined for the maintenance of servants, disposes masters rather to diminish than to increase the number of those they have. In dear years, too, poor independent workmen frequently consume the little stocks with which they had used to supply themselves with the materials of their work, and are obliged to become journeymen for subsistence. More people want employment than can easily get it; many are willing to take it upon lower terms than ordinary, and the wages of both servants and journeymen frequently sink in dear years.

Masters of all sorts, therefore, frequently make better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry. Landlords and farmers, besides, two of the largest classes of masters, have another reason for being pleased with dear years. The rents of the one and the profits of the other depend very much upon the price of provisions. Nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master. The one, in his separate independent state, is less liable to the temptations of bad company, which in large manufactories so frequently ruin the morals of the other. The superiority of the independent workman over those servants who are hired by the month or by the year, and whose wages and maintenance are the same whether they do much or do little, is likely to be still greater. Cheap years tend to increase the proportion of independent workmen to journeymen and servants of all kinds, and dear years to diminish it.

A French author of great knowledge and ingenuity, Mr. Messance, receiver of the taillies in the election of St. Etienne, endeavours to show that the poor do more work in cheap than in dear years, by comparing the quantity and value of the goods made upon those different occasions in three different manufactures; one of coarse woollens carried on at Elbeuf; one of linen, and another of silk, both which extend through the whole generality of Rouen. It appears from his account, which is copied from the registers of the pubic offices, that the quantity and value of the goods made in all those three manufactures has generally been greater in cheap than in dear years; and that it has always been greatest in the cheapest, and least in the dearest years. All the three seem to be stationary manufactures, or which, though their produce may vary somewhat from year to year, are upon the whole neither going backwards nor forwards.

The manufacture of linen in Scotland, and that of coarse woollens in the west riding of Yorkshire, are growing manufactures, of which the produce is generally, though with some variations, increasing both in quantity and value. Upon examining, however, the accounts which have been published of their annual produce, I have not been able to observe that its variations have had any sensible connection with the dearness or cheapness of the seasons. In 1740, a year of great scarcity, both manufactures, indeed, appear to have declined very considerably. But in 1756, another year of great scarcity, the Scotch manufacture made more than ordinary advances. The Yorkshire manufacture, indeed, declined, and its produce did not rise to what it had been in 1755 till

1766, after the repeal of the American stamp act. In that and the following year it greatly exceeded what it had ever been before, and it has continued to advance ever since.

The produce of all great manufactures for distant sale must necessarily depend, not so much upon the dearness or cheapness of the seasons in the countries where they are carried on, as upon the circumstances which affect the demand in the countries where they are consumed; upon peace or war, upon the prosperity or declension of other rival manufactures, and upon the good or bad humour of their principal customers. A great part of the extraordinary work, besides, which is probably done in cheap years, never enters the public registers of manufactures. The men servants who leave their masters become independent labourers. The women return to their parents, and commonly spin in order to make clothes for themselves and their families. Even the independent workmen do not always work for public sale, but are employed by some of their neighbours in manufactures for family use. The produce of their labour, therefore, frequently makes no figure in those public registers of which the records are sometimes published with so much parade, and from which our merchants and manufacturers would often vainly pretend to announce the prosperity or declension of the greatest empires.

Though the variations in the price of labour not only do not always correspond with those in the price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that the price of provisions has no influence upon that of labour. The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniencies of life. The demand for labour, according as it happens to be increasing, stationary, or declining, or to require an increasing, stationary, or declining population, determines the quantity of the necessaries and conveniencies of life which must be given to the labourer; and the money price of labour is determined by what is requisite for purchasing this quantity. Though the money price of labour, therefore, is sometimes high where the price of provisions is low, it would be still higher, the demand continuing the same, if the price of provisions was high.

It is because the demand for labour increases in years of sudden and extraordinary plenty, and diminishes in those of sudden and extraordinary scarcity, that the money price of labour sometimes rises in the one, and sinks in the other.

In a year of sudden and extraordinary plenty, there are funds in the hands of many of the employers of industry, sufficient to maintain and employ a greater number of industrious people than had been employed the year before; and this extraordinary number cannot always be had. Those masters, therefore, who want more workmen, bid against one another, in order to get them, which sometimes raises both the real and the money price of their labour.

The contrary of this happens in a year of sudden and extraordinary scarcity. The funds destined for employing industry are less than they had been the year before. A considerable number of people are thrown out of employment, who bid against one another, in order to get it, which sometimes lowers both the real and the money price of labour. In 1740, a year of extraordinary scarcity, many people were willing to work for bare subsistence. In the succeeding years of plenty, it was more difficult to get labourers and servants.

The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the price of provisions, those two opposite causes seem to counterbalance one another; which is probably in part the reason why the wages of labour are every where so much more steady and permanent than the price of provisions.

The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work. The owner of the stock which employs a great number of labourers, necessarily endeavours, for his own advantage, to make such a proper division and distribution of employment, that they may be enabled to produce the greatest quantity of work possible. For the same reason, he endeavours to supply them with the best machinery which either he or they can think of. What takes place, among the labourers in a particular workhouse, takes place, for the same reason, among those of a great society. The greater their number, the more they naturally divide themselves into different classes and subdivisions of employment. More heads are occupied in inventing the most proper machinery for executing the work of each, and it is, therefore, more likely to be invented. There are many commodities, therefore, which, in consequence of these improvements come to

be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity.

CHAP. IX.

Of the Profits of Stock.

The rise and fall in the profits of stock depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society; but those causes affect the one and the other very differently.

The increase of stock, which raises wages, tends to lower profit. When the stocks of many rich merchants are turned into the same trade, their mutual competition naturally tends to lower its profit; and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all.[1]

It is not easy, it has already been observed, to ascertain what are the average wages of labour even in a particular place, and at a particular time. We can, even in this case, seldom determine more than what are the most usual wages. But even this can seldom be done with regard to the profits of stock. Profit is so very fluctuating that the person who carries on a particular trade cannot always tell you himself what is the average of his annual profit. It is affected, not only by every variation of price in the commodities which he deals in, but by the good or bad fortune both of his rivals and of his customers, and by a thousand other accidents to which goods, when carried either by sea or by land, or even when stored in a warehouse, are liable. It varies, therefore, not only from year to year, but from day to day, and almost from hour to hour. To ascertain what is the average profit of all the different trades carried on in a great kingdom, must be much more difficult; and to judge of what it may have been formerly, or in remote periods of time, with any degree of precision, must be altogether impossible.

But though it may be impossible to determine, with any degree of precision, what are or were the average profits of stock, either in the present or in ancient times, some notion may be formed of them from the interest of money. It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that wherever little can be made by it, less will commonly be given for it. According, therefore, as the usual market rate of interest varies in any country, we may be assured that the ordinary profits of stock must vary with it, must sink as it sinks, and rise as it rises. The progress of interest, therefore, may lead us to form some notion of the progress of profit.

By the 37th of Henry VIII., all interest above ten per cent. was declared unlawful. More, it seems, had sometimes been taken before that. In the reign of Edward VI. religious zeal prohibited all interest. This prohibition however, like all others of the same kind, is said to have produced no effect, and probably rather increased than diminished the evil of usury. The statute of Henry VIII. was revived by the 13th of Elizabeth, cap. 8., and ten per cent. continued to be the legal rate of interest till the 21st of James I., when it was restricted to eight per cent. It was reduced to six per cent. soon after the Restoration, and by the 12th of Queen Anne, to five per cent. All these different statutory regulations seem to have been made with great propriety. They seem to have followed, and not to have gone before the market rate of interest, or the rate at which people of good credit usually borrowed. Since the time of Queen Anne, five per cent, seems to have been rather above than below the market rate. Before the late war, the government borrowed at three per cent.; and people of good credit in the capital, and in many other parts of the kingdom, at three and a half, four, and four and a half per cent.

Since the time of Henry VIII. the wealth and revenue of the country have been continually advancing, and, in the course of their progress, their pace seems rather to have been gradually accelerated than retarded. They seem, not only to have been going on, but to have been going on faster and faster. The wages of labour have been continually increasing during the same period; and in the greater part of the different branches of trade and manufactures the profits of stock have been diminishing.

It generally requires a greater stock to carry on any sort of trade in a great town than in a country village. The great stocks employed in every branch of trade, and the number of rich competitors, generally reduce the rate of profit in the former below what it is in the latter. But the wages of labour are generally higher in a great town than in a country village. In a thriving town the people who have great stocks to

[1] The fall in the rate of profit that almost invariably takes place in the progress of society is not, as Dr. Smith supposes, a consequence of the increasing competition of capitalists caused by the increase of their capitals; but is a consequence of a diminished power to employ capital with equal advantage, resulting either (1) from the diminished fertility of the soils, to which every advancing country must resort or (2) from an increase of taxation, or (3) from a rise of wages. See supplemental note on the Circumstances which Determine the Rate of Profit.

employ, frequently cannot get the number of workmen they want, and therefore bid against one another in order to get as many as they can, which raises the wages of labour, and lowers the profits of stock. In the remote parts of the country there is frequently not stock sufficient to employ all the people, who therefore bid against one another in order to get employment, which lowers the wages of labour, and raises the profits of stock.

In Scotland, though the legal rate of interest is the same as in England, the market rate is rather higher. People of the best credit there seldom borrow under five per cent. Even private bankers in Edinburgh give four per cent. upon their promissory notes, of which payment, either in whole or in part, may be demanded at pleasure. Private bankers in London give no interest for the money which is deposited with them. There are few trades which cannot be carried on with a smaller stock in Scotland than in England. The common rate of profit, therefore, must be somewhat greater. The wages of labour, it has already been observed, are lower in Scotland than in England. The country, too, is not only much poorer, but the steps by which it advances to a better condition, for it is evidently advancing, seem to be much slower and more tardy.[1]

The legal rate of interest in France has not, during the course of the present century, been always regulated by the market rate.[2] In 1720 interest was reduced from the twentieth to the fiftieth penny, or from five to two per cent. In 1724 it was raised to the thirtieth penny, or to 3½ per cent. In 1725 it was again raised to the twentieth penny, or to five per cent. In 1766, during the administration of Mr. Laverdy, it was reduced to the twenty-fifth penny, or to four per cent. The Abbé Terray raised it afterwards to the old rate of five per cent. The supposed purpose of many of those violent reductions of interest was to prepare the way for reducing that of the public debts; a purpose which has sometimes been executed. France is perhaps in the present times not so rich a country as England; and though the legal rate of interest has in France frequently been lower than in England, the market rate has generally been higher; for there, as in other countries, they have several very safe and easy methods of evading the law. The profits of trade, I have been assured by British merchants who had traded in both countries, are higher in France than in England; and it is no doubt upon this account that many British subjects choose rather to employ their capitals in a country where trade is in disgrace, than in one where it is highly respected. The wages of labour are lower in France than in England. When you go from Scotland to England, the difference which you may remark between the dress and countenance of the common people in the one country and in the other, sufficiently indicates the difference in their condition. The contrast is still greater when you return from France. France, though no doubt a richer country than Scotland, seems not to be going forward so fast. It is a common and even a popular opinion in the country, that it is going backwards; an opinion which, I apprehend, is ill founded even with regard to France, but which nobody can possibly entertain with regard to Scotland, who sees the country now, and who saw it twenty or thirty years ago.

The province of Holland, on the other hand, in proportion to the extent of its territory and the number of its people, is a richer country than England. The government there borrow at two per cent., and private people of good credit at three. The wages of labour are said to be higher in Holland than in England, and the Dutch, it is well known, trade upon lower profits than any people in Europe. The trade of Holland, it has been pretended by some people, is decaying, and it may perhaps be true that some particular branches of it are so. But these symptoms seem to indicate sufficiently that there is no general decay. When profit diminishes, merchants are very apt to complain that trade decays; though the diminution of profit is the natural effect of its prosperity, or of a greater stock being employed in it than before.[3] During the late war the Dutch gained the whole carrying trade of France, of which they still retain a very large share. The great property which they possess both in the French and English funds, about forty millions, it is said, in the latter (in which I suspect, however, there is a considerable exaggeration[4]) the great sums which they lend to private people, in coun-

[1] Since the American war, the progress of improvement in Scotland has been decidedly more rapid than in England, or perhaps in any other country. See the account of agriculture, and the chapter on improvements in food, clothing, &c. in M'Culloch's Statistics of the British Empire.

[2] See Denisart. Article Taux des Interets, tom. iii. p. 18.

[3] The low rate of profits in Holland is wholly or almost wholly, ascribable to the oppressiveness of taxation. See *Principles of Political Economy*, 2d ed. p. 404.

[4] Dr. Smith does not seem to have been aware that an official account was drawn up in 1762, showing that the portion of the several funds then transferable at the Bank of England, standing in the names of foreigners, or their agents, amounted to only £14,956,395. This account does not include the foreign property in the South Sea stock and annuities, and in the East India stock; but if we estimate the whole amount of property in the British funds then held by all descriptions of foreigners at £18,000,000, we shall certainly exceed the mark.

In 1806, the property in the British funds held by foreigners, as ascertained by means of the exemption, allowed them from any charge on account of the property or income tax, amounted to £18,598,606, exclusive of the Bank stock, and terminable annuities

tries where the rate of interest is higher than in their own, are circumstances which no doubt demonstrate the redundancy of their stock, or that it has increased beyond what they can employ with tolerable profit in the proper business of their own country: but they do not demonstrate that that business has decreased. As the capital of a private man, though acquired by a particular trade, may increase beyond what he can employ in it, and yet that trade continue to increase too, so may likewise the capital of a great nation.

In our North American and West Indian colonies, not only the wages of labour, but the interest of money, and consequently the profits of stock, are higher than in England. In the different colonies both the legal and the market rate of interest run from six to eight per cent. High wages of labour and high profits of stock, however, are things, perhaps, which scarce ever go together, except in the peculiar circumstances of new colonies.

A new colony must always for some time be more under-stocked in proportion to the extent of its territory, and more underpeopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied to the cultivation only of what is most fertile and most favourably situated, the land near the sea shore, and along the banks of navigable rivers. Such land too is frequently purchased at a price below the value even of its natural produce. Stock employed in the purchase and improvement of such lands must yield a very large profit, and consequently afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. As the colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation, and less interest can be afforded for the stock which is so employed. In the greater part of our colonies, accordingly, both the legal and the market rate of interest have been considerably reduced during the course of the present century. As riches, improvement, and population have increased, interest has declined.[1] The wages of labour do not sink with the profits of stock. The demand for labour increases with the increase of stock, whatever be its profits; and after these are diminished, stock may not only continue to increase, but to increase much faster than before. It is with industrious nations, who are advancing in the acquisition of riches, as with industrious individuals. A great stock, though with small profits, generally increases faster than a small stock with great profits. Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little. The connection between the increase of stock and that of industry, or of the demand for useful labour, has partly been explained already, but will be explained more fully hereafter in treating of the accumulation of stock.

The acquisition of new territory, or of new branches of trade, may sometimes raise the profits of stock, and with them the interest of money, even in a country which is fast advancing in the acquisition of riches.[2] The stock of the country not being sufficient for the whole accession of business, which such acquisitions present to the different people among whom it is divided, is applied to those particular branches only which afford the greatest profit. Part of what had before been employed in other trades is necessarily withdrawn from them, and turned into some of the new and more profitable ones. In all those old trades, therefore, the competition comes to be less than before: the market comes to be less fully supplied with many different sorts of goods. Their price necessarily rises more or less, and yields a greater profit to those who deal in them, who can, therefore, afford to borrow at a higher interest. For some time after the conclusion of the late war, not only private people of the best credit, but some of the greatest companies in London, commonly borrowed at five per cent. who before that had not been used to pay more than four, and four and a half per cent.* The great accession both of territory and trade by our acquisitions in North America and the West Indies, will sufficiently account for this, without supposing any diminution in the capital stock of the society. So great an accession of new business to be carried on by

which on a large estimate might amount to, perhaps, £2,000,000 additional. Since the peace, the amount of stock held by foreigners has been rapidly decreasing. In August, 1818, it amounted to £12,486,000, and is not supposed at this moment (1838) to exceed £8,000,000. Fairman on the Funds, 7th ed. p. 229.

[1] Interest has declined because profits have declined; and profits have declined, partly because the increase of population and the exclusion of foreign corn have forced recourse to soils that yield a less quantity of produce in return for the same outlay of capital and labour; partly because tax have been increased; and partly, and principally, perhaps, because wages have been materially augmented.

[2] It will raise them, provided the new territory be more fertile than the land last brought under tillage in the country that has made the acquisition, or provided the new branches of trade enable corn, or such other articles as enter into the consumption of the labourer, to be obtained at a cheaper rate, but not otherwise. See note on the Circumstances which determine the Rate of Profit, end of the volume

the old stock, must necessarily have diminished the quantity employed in a great number of particular branches, in which the competition being less the profits must have been greater. I shall hereafter have occasion to mention the reasons which dispose me to believe that the capital stock of Great Britain was not diminished even by the enormous expense of the late war.

The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and, consequently, the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer.[1] Their goods cost them less, and they get more for them. Their profits, therefore, being augmented at both ends, can well afford a large interest. The great fortunes so suddenly and so easily acquired in Bengal, and the other British settlements in the East Indies, may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries. The interest of money is proportionably so. In Bengal, money is frequently lent to the farmers at forty, fifty, and sixty per cent., and the succeeding crop is mortgaged for the payment. As the profits which can afford such an interest must eat up almost the whole rent of the landlord, so such enormous usury, must, in its turn, eat up the greater part of those profits. Before the fall of the Roman republic, a usury of the same kind seems to have been common in the provinces, under the ruinous administration of their proconsuls. The virtuous Brutus lent money, in Cyprus, at eight-and-forty per cent. as we learn from the letters of Cicero.

In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries allowed it to acquire, which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would, probably, be very low. In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great, as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers; and, the country being already fully peopled, that number could never be augmented. In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every particular branch as the nature and extent of the trade would admit. The competition, therefore, would everywhere be as great, and consequently the ordinary profit as low as possible.

But, perhaps, no country has ever yet arrived at this degree of opulence. China seems to have been long stationary, and had, probably, long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation, might admit of. A country which neglects or despises foreign commerce, and which admits the vessels of foreign nations into one or two of its ports only, cannot transact the same quantity of business which it might do with different laws and institutions. In a country, too, where, though the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines, the quantity of stock employed in all the different branches of business transacted within it, can never be equal to what the nature and extent of that business might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits. Twelve per cent., accordingly, is said to be the common interest of money in China, and the ordinary profits of stock must be sufficient to afford this large interest.

A defect in the law may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts, it puts all borrowers nearly upon the same footing with bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who overrun the western provinces of the Roman empire, the performance of contracts was left for many ages to the faith of the contracting parties. The courts of justice of their kings seldom intermeddled in it. The high rate of interest which took place in those ancient times may perhaps be partly accounted for from this cause.

When the law prohibits interest altogether, it does not prevent it. Many people must borrow, and nobody will lend without such

[1] A fall in the rate of wages raises profits without, generally speaking, affecting prices. See supplemental note on the Effect of Variations in the Rates of Wages and Profit on Prices.

a consideration for the use of their money as is suitable, not only to what can be made by the use of it, but to the difficulty and danger of evading the law. The high rate of interest among all Mahometan nations, is accounted for by M. Montesquieu, not from their poverty, but partly from this, and partly from the difficulty of recovering the money.

The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit. What is called gross profit comprehends frequently, not only this surplus, but what is retained for compensating such extraordinary losses. The interest which the borrower can afford to pay is in proportion to the clear profit only.

The lowest ordinary rate of interest must, in the same manner, be something more than sufficient to compensate the occasional losses to which lending, even with tolerable prudence, is exposed. Were it not more, charity or friendship could be the only motives for lending.

In a country which had acquired its full complement of riches, where in every particular branch of business there was the greatest quantity of stock that could be employed in it, as the ordinary rate of clear profit would be very small, so the usual market rate of interest which could be afforded out of it, would be so low as to render it impossible for any but the very wealthiest people to live upon the interest of their money. All people of small or middling fortunes would be obliged to superintend themselves the employment of their own stocks. It would be necessary that almost every man should be a man of business, or engage in some sort of trade. The province of Holland seems to be approaching near to this state. It is there unfashionable not to be a man of business. Necessity makes it usual for almost every man to be so, and custom everywhere regulates fashion. As it is ridiculous not to dress, so is it, in some measure, not to be employed, like other people. As a man of a civil profession seems awkward in a camp or a garrison, and is even in some danger of being despised there, so does an idle man among men of business.

The highest ordinary rate of profit may be such as, in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can any where be paid, the bare subsistence of the labourer. The workman must always have been fed in some way or other while he was about the work; but the landlord may not always have been paid. The profits of the trade which the servants of the East India Company carry on in Bengal may not perhaps be very far from this rate.

The proportion which the usual market rate of interest ought to bear to the ordinary rate of clear profit, necessarily varies as profit rises or falls. Double interest is in Great Britain reckoned, what the merchants call a good, moderate, reasonable profit; terms which I apprehend mean no more than a common and usual profit. In a country where the ordinary rate of clear profit is eight or ten per cent., it may be reasonable that one half of it should go to interest. Wherever business is carried on with borrowed money, the stock is at the risk of the borrower, who, as it were, insures it to the lender; and four or five per cent. may, in the greater part of trades, be both a sufficient profit upon the risk of this insurance, and a sufficient recompence for the trouble of employing the stock. But the proportion between interest and clear profit might not be the same in countries where the ordinary rate of profit was either a good deal lower or a good deal higher. If it were a good deal lower, one half of it perhaps could not be afforded for interest; and more might be afforded if it were a good deal higher.

In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, a mong whom the wages of labour may be lower.

In reality high profits tend much more to raise the price of work than high wages.[1] If in the linen manufacture, for example, the wages of the different working people, the flax-dressers, the spinners, the weavers, &c., should, all of them, be advanced two-pence a day; it would be necessary to heighten the price of a piece of linen only by a number of two-pences equal to the number of people that had been employed about it, multiplied by the number of days during which they had been so employed. That part of the price of commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent., that part of the price of the commodity which resolved itself into profit, would,

[1] Prices, generally speaking, are the same, whether profits or wages be high or low. They depend on the quantity of labour required to produce commodities, and not on the mode in which these commodities are divided between capitalists and labourers. See supplemental note on the Effect of Variations in the Rates of Wages and Profit on Prices.

through all the different stages of the manufacture, rise in geometrical proportion to this rise of profit. The employer of the flax-dressers would, in selling his flax, require an additional five per cent. upon the whole value of the materials and wages which he advanced to his workmen. The employer of the spinners would require an additional five per cent., both upon the advanced price of the flax and upon the wages of the spinners. And the employer of the weavers would require a like five per cent., both upon the advanced price of the linen yarn and upon the wages of the weavers. In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt. The rise of profit operates like compound interest. Our merchants and master manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.

CHAP. X.

Of Wages and Profit in the different Employments of Labour and Stock.[1]

THE whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal or continually tending to equality. If in the same neighbourhood, there was any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, that its advantages would soon return to the level of other employments. This at least would be the case in a society where things were left to follow their natural course, where there was perfect liberty, and where every man was perfectly free both to choose what occupation he thought proper, and to change it as often as he thought proper. Every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous employment.

Pecuniary wages and profit, indeed, are everywhere in Europe extremely different, according to the different employments of labour and stock. But this difference arises partly from certain circumstances in the employments themselves, which either really, or at least in the imaginations of men, make up for a small pecuniary gain in some, and counterbalance a great one in others; and partly from the policy of Europe, which nowhere leaves things at perfect liberty.

The particular consideration of those circumstances and of that policy will divide the chapter into two parts.

PART I.

Inequalities arising from the Nature of the Employments themselves.

THE five following are the principal circumstances which, so far as I have been able to observe, make up for a small pecuniary gain in some employments, and counterbalance a great one in others: First, The agreeableness or disagreeableness of the employments themselves; Secondly, The easiness and cheapness, or the difficulty and expense of learning them; Thirdly, The constancy or inconstancy of employment in them; Fourthly, The small or great trust which must be reposed in those who exercise them; and, Fifthly, The probability or improbability of success in them.

First, The wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment. Thus in most places, take the year round, a journeyman tailor earns less than a journeyman weaver. His work is much easier. A journeyman weaver earns less than a journeyman smith. His work is not always easier, but it is much cleanlier. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours as a collier, who is only a labourer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in day-light, and above ground. Honour makes a great part of the reward of all honourable professions. In point of pecuniary gain, all things considered, they are generally underrecompensed, as I shall endeavour to show by and by. Disgrace has the contrary effect. The trade of a butcher is a brutal and an odious business; but it is in most places more profitable than the greater part of common trades. The most detestable of all employments, that of public executioner, is, in proportion to the quantity of work done, better paid than any common trade whatever.

Hunting and fishing, the most important employments of mankind in the rude state of society, become in its advanced state their most agreeable amusements, and they pursue for pleasure what they once followed from necessity. In the advanced state of society, therefore, they are all very poor people who follow as a trade what other people pursue as a pastime. Fishermen have been so since the time of Theocritus.[2] A poacher is

[1] This is an important and valuable chapter. With very few exceptions the principles and reasonings are equally sound and conclusive.

[2] See Idyllium xxi.

everywhere a very poor man in Great Britain. In countries where the rigour of the law suffers no poachers, the licensed hunter is not in a much better condition. The natural taste for those employments makes more people follow them than can live comfortably by them, and the produce of their labour, in proportion to its quantity, comes always too cheap to market to afford any thing but the most scanty subsistence to the labourers.

Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labour. The keeper of an inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business. But there is scarce any common trade in which a small stock yields so great a profit.

Secondly, The wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business.

When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out by it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.

The difference between the wages of skilled labour and those of common labour, is founded upon this principle

The policy of Europe considers the labour of all mechanics, artificers, and manufacturers, as skilled labour; and that of all country labourers as common labour. It seems to suppose that of the former to be of a more nice and delicate nature than that of the latter. It is so perhaps in some cases; but in the greater part it is quite otherwise, as I shall endeavour to show by and by. The laws and customs of Europe, therefore, in order to qualify any person for exercising the one species of labour, impose the necessity of an apprenticeship, though with different degrees of rigour in different places. They leave the other free and open to every body. During the continuance of the apprenticeship, the whole labour of the apprentice belongs to his master. In the mean time he must, in many cases, be maintained by his parents or relations, and in almost all cases must be clothed by them Some money, too, is commonly given to the master for teaching him his trade. They who cannot give money give time, or become bound for more than the usual number of years; a consideration which, though it is not always advantageous to the master, on account of the usual idleness of apprentices, is always disadvantageous to the apprentice. In country labour, on the contrary, the labourer, while he is employed about the easier, learns the more difficult parts of his business, and his own labour maintains him through all the different stages of his employment. It is reasonable, therefore, that in Europe the wages of mechanics, artificers, and manufacturers, should be somewhat higher than those of common labourers. They are so accordingly, and their superior gains make them in most places be considered as a superior rank of people. This superiority, however, is generally very small; the daily or weekly earnings of journeymen in the more common sorts of manufactures, such as those of plain linen and woollen cloth, computed at an average, are, in most places, very little more than the day wages of common labourers. Their employment, indeed, is more steady and uniform, and the superiority of their earnings, taking the whole year together, may be somewhat greater. It seems evidently, however, to be no greater than what is sufficient to compensate the superior expense of their education.

Education in the ingenious arts and in the liberal professions, is still more tedious and expensive. The pecuniary recompence, therefore, of painters and sculptors, of lawyers and physicians, ought to be much more liberal: and it is so accordingly.

The profits of stock seem to be very little affected by the easiness or difficulty of learning the trade in which it is employed. All the different ways in which stock is commonly employed in great towns seem, in reality, to be almost equally easy and equally difficult to learn. One branch either of foreign or domestic trade, cannot well be a much more intricate business than another.

Thirdly, The wages of labour, in different occupations vary with the constancy or inconstancy of employment.

Employment is much more constant in some trades than in others. In the greater part of manufactures, a journeyman may be pretty sure of employment almost every day in the year that he is able to work. A mason or bricklayer, on the contrary, can work neither in hard frost nor in foul weather, and his employment at all other times depends upon the occasional calls of his customers. He is liable, in consequence, to be frequently without any. What he earns, therefore, while he is employed, must not only main-

[illegible] him while he is idle, but make him [illegible] compensation for those anxious and de[illegible] moments which the thought of so [illegible] a situation must sometimes occa[illegible]. Where the computed earnings of the [illegible] part of manufacturers, accordingly, [illegible] upon a level with the day wages [illegible] common labourers, those of masons and [illegible] are generally from one half more [illegible] those wages. Where common la[illegible] earn four and five shillings a week, [illegible] and bricklayers frequently earn seven [illegible] eight; where the former earn six, the [illegible] earn nine and ten; and where the [illegible] earn nine and ten, as in London, the [illegible] commonly earn fifteen and eighteen.[1] [illegible] of skilled labour, however, seems [illegible] easy to learn than that of masons and [illegible]klayers. Chairmen in London, during [illegible] summer season, are said sometimes to be [illegible] as bricklayers. The high wages [illegible] those workmen, therefore, are not so [illegible] the recompence of their skill, as the [illegible] for the inconstancy of their [illegible]ployment.

A house carpenter seems to exercise rather [illegible] and more ingenious trade than a [illegible]. In most places, however, for it is [illegible] universally so, his day-wages are some[illegible] [illegible] employment, though it [illegible] much, does not depend so entirely [illegible] occasional calls of his customers: [illegible] not liable to be interrupted by the [illegible]

[illegible] the trades which generally afford [illegible] employment, happen in a particular [illegible] to do so, the wages of [illegible] work[illegible] rise to a good deal above their [illegible] proportion to those of common la[illegible] In London almost all journeymen [illegible] are liable to be called upon and [illegible] by their masters from day to day [illegible] week to week, in the same manner [illegible] labourers in other places. The lowest [illegible] of artificers, journeymen tailors, accord[illegible] earn their half a crown a day, though [illegible] pence may be reckoned the wages [illegible] labour.[2] In small towns and [illegible] villages, the wages of journeymen [illegible] frequently scarce equal those of com[illegible] labour; but in London they are often [illegible] weeks without employment, particu[illegible] during the summer.

When the inconstancy of employment is combined with the hardship, disagreeableness, and dirtiness of the work, it sometimes raises the wages of the most common labour above those of the most skilful artificers. A collier working by the piece is supposed, at Newcastle, to earn commonly about double, and in many parts of Scotland, about three times the wages of common labour. His high wages arise altogether from the hardship, disagreeableness, and dirtiness of his work. His employment may, upon most occasions, be as constant as he pleases. The coal-heavers in London exercise a trade, which in hardship, dirtiness, and disagreeableness, almost equals that of colliers; and from the unavoidable irregularity in the arrivals of coal-ships, the employment of the greater part of them is necessarily very inconstant. If colliers, therefore, commonly earn double and triple the wages of common labour, it ought not to seem unreasonable that coal-heavers should sometimes earn four and five times those wages. In the inquiry made into their condition a few years ago, it was found that at the rate at which they were then paid, they could earn from six to ten shillings a day. Six shillings are about four times the wages of common labour in London, and in every particular trade the lowest common earnings may always be considered as those of the far greater number. How extravagant soever those earnings may appear, if they were more than sufficient to compensate all the disagreeable circumstances of the business, there would soon be so great a number of competitors as, in a trade which has no exclusive privilege, would quickly reduce them to a lower rate.

The constancy or inconstancy of employment cannot affect the ordinary profits of stock in any particular trade. Whether the stock is or is not constantly employed depends, not upon the trade, but the trader.

Fourthly, The wages of labour vary according to the small or great trust which must be reposed in the workmen.

The wages of goldsmiths and jewellers are everywhere superior to those of many other workmen, not only of equal, but of much superior ingenuity; on account of the precious materials with which they are intrusted.

We trust our health to the physician; our fortune, and sometimes our life and reputation, to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires. The long time and the great expense which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.

When a person employs only his own stock in trade, there is no trust; and the credit which he may get from other people, depends, not upon the nature of his trade, but upon their opinion of his fortune, probity, and prudence. The different rates of

[1] The rates of wages mentioned in the text are now very much increased.

[2] The wages of journeymen tailors in London amount at present (1807) to about thirty shillings a week, or five shillings a day.

profit, therefore, in the different branches of trade ought to be the different degrees of trust reposed in the traders.

Fifthly, The wages of labour in different employments vary according to the probability or improbability of success in them.

The probability that any particular person shall ever be qualified for the employment to which he is educated, is very different in different occupations. In the greater part of mechanic trades, success is almost certain; but very uncertain in the liberal professions. Put your son apprentice to a shoemaker, there is little doubt of his learning to make a pair of shoes; but send him to study the law, it is at least twenty to one if ever he makes such proficiency as will enable him to live by the business. In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks. In a profession where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty. The counsellor at law who, after perhaps at near forty years of age, begins to make something by his profession, ought to receive the retribution, not only of his own so tedious and expensive education, but that of more than twenty others who are never likely to make any thing by it. How extravagant soever the fees of counsellors at law may sometimes appear, their real retribution is never equal to this. Compute in any particular place, what is likely to be annually gained, and what is likely to be annually spent, by all the different workmen in any common trade, such as that of shoemakers or weavers, and you will find that the former sum will generally exceed the latter. But make the same computation with regard to all the counsellors and students of law, in all the different inns of court, and you will find that their annual gains bear but a very small proportion to their annual expense, even though you rate the former as high, and the latter as low, as can well be done. The lottery of the law, therefore, is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, are, in point of pecuniary gain, evidently under-recompensed.

Those professions keep their level, however, with other occupations, and, notwithstanding those discouragements, all the most ingenious and liberal spirits are eager to crowd into them. Two different causes contribute to recommend them. First, the desire of the reputation which attends upon superior excellence in any of them; and, secondly, the natural confidence which every man has, more or less, not only in his own abilities, but in his own good fortune.

To excel in any profession, in which but few arrive at mediocrity, is the most decisive mark of what is called genius or superior talents. The public admiration which attends upon such talents, the honours which are frequently bestowed upon them, as the only proper reward of them, sometimes in a greater, sometimes in a smaller proportion to the merit of the performance, are circumstances which many people are willing to sacrifice a great deal for the chance of obtaining. In the most agreeable and honourable professions, the great number of competitors frequently hinders even the most deserving from obtaining any share of that reward which is the proper object of their ambition. In the more contemptible, though sometimes equally profitable, it is commonly the meanness of the employment which keeps down the number of competitors below that of those who would otherwise enter into it. The taste of the public must change, and often very capriciously, before those who have acquired great fortunes in the former can lose the greater part of their employment; but the moment it begins to change, a thousand workmen are ready to supply the new fashion. In the latter, the publicity of the employment, the continual inspection which the customers exercise over the workmen, and their frequent changes from one to another, render it impossible for any of them to impose upon the public for any considerable time together. The humble but honourable employment of a common mechanic, therefore, frequently affords a more certain, though generally a much smaller profit, than the trade of a counsellor at law, or the more precarious and splendid profession of a physician. In the midst of the great variety of employments, the natural talents which are the most common, perhaps, are those which fit men for the steady and uniform discharge of the duties of ordinary life. Superior prudence, joined to superior industry and frugality, is frequently attended with superior success in the middling classes of life. Such talents, therefore, are frequently rewarded with superior fortune. The degree of those talents which the public admires, which it rewards with honour, is frequently to be found among those who have little chance of obtaining the fortune. The degree of those talents which the public despises, which it punishes with contempt, frequently among those who have the greatest chance of obtaining it.

There are some very agreeable and honourable talents of which the possession commands a certain sort of admiration; but of which the exercise for the sake of gain is considered, whether from reason or prejudice, as a sort of public prostitution. The pecuniary recompence, therefore, of those who exercise them in this manner, must be sufficient not only to pay for the time, labour, and expense of acquiring the talents, but for the disgrace which attends the employment of them as the means of subsistence. The exorbitant rewards of players, opera-singers, opera-dancers, &c., are founded upon those three principles; the rarity and beauty of talents, and the discredit of employing them in this manner. It seems absurd at first sight that we should despise their persons, and yet reward their talents with the most profuse liberality. While we do the one, however, we must of necessity do the other. Should the public opinion [illegible] such occupations alter with regard to [illegible] pecuniary recompence would quickly [illegible] would apply to [illegible] more people would apply to [illegible] and the competition would quickly [illegible] the price of their labour. Such [illegible] though far from being common, [illegible] rare as is imagined. Many [illegible] means to [illegible] them in great perfection, who [illegible] possessed [illegible] to make this use of them; and many [illegible] are capable of acquiring them, if [illegible] could be made honourably by them.

The overweening conceit which the [illegible] part of men have of their own abilities [illegible] ancient evil remarked by the philosophers and moralists of all ages. Their absurd presumption in their own good fortune, [illegible] been less taken notice of. It is, however, [illegible] possible, still more universal. There is [illegible] man living who, when in tolerable health and spirits, has not some share of it. The chance of gain is by every man more or less overvalued, and the chance of loss is by most men undervalued, and by scarce any man who is in tolerable health and spirits, valued more than it is worth.

That the chance of gain is naturally overvalued we may learn from the universal success of lotteries. The world neither ever saw, nor ever will see, a perfectly fair lottery; or one in which the whole gain compensated the whole loss; because the undertaker could make nothing by it. In the state lotteries the tickets are really not worth the price which is paid by the original subscribers, and yet commonly sell in the market for twenty,

...nd of twenty per cent. advance, in hope of gaining some of the great ... the chance of this trifle. The ... seems scarce worth upon it, and ... for the chance of gaining ... thousand pounds, though ... that even that small sum is per... or thirty per cent. more than ... worth. In a lottery in which ... twenty pounds, though in ... it approached much nearer to ... for one than the common state ... there would not be the same de... tickets. In order to have a better ... for some of the great prizes, some ... purchase several tickets, and others, ... in a still greater number. There ... however, a more certain proposition ...ties, than that the more tickets ...ture upon, the more likely you are ... Adventure upon all the tickets ...tery, and you lose for certain; and ... the number of your tickets, the ... approach to this certainty.

... the chance of loss is frequently un... and scarce ever valued more than ...orth, we may learn from the very ...te profit of insurers. In order to ... insurance, either from fire or sea-risk, ...e at all, the common premium must be ...mit to compensate the common losses, ...ay the expense of management, and to ...rd such a profit as might have been ...drawn from an equal capital employed in ...ny common trade. The person who pays ...o more than this, evidently pays no more ...han the real value of the risk, or the lowest ...ce at which he can reasonably expect to ...re it. But though many people have ...de a little money by insurance, very few ...e made a great fortune; and from this ...deration alone, it seems evident enough, ...the ordinary balance of profit and loss ...ot more advantageous in this, than in ...common trades by which so many ...le make fortunes. Moderate, however, ...he premium of insurance commonly is, ...y people despise the risk too much to ...to pay it. Taking the whole kingdom ...n average, nineteen houses in twenty, or ...ty perhaps, ninety-nine in a hundred, ...ot insured from fire. Sea risk is more ...ning to the greater part of people, ...the proportion of ships insured to those ...insured is much greater. Many sail, ...ever, at all seasons, and even in time of ...without any insurance. This may ...times, perhaps, be done without any ...vantage. When a great company, or ...a great merchant, has twenty or thirty ...s at sea, they may, as it were, insure one ...ther. The premium saved upon them ...ould more than compensate such losses ...

...the proportion of houses insured to the total ...ber is now vastly greater than when the Wealth ...Nations was published.

...as the ...economi... ...insurance ...same pr... ...cases, th... ...but of m... ...compensa...

The co... ...tuous hope ...more active ...people choos... ...the fear of m... ...lancing the h... ...more evidently ...people to enli... ...than in the e... ...fashion to ente... ...liberal profes...

What a comm... ...obvious enough. ...danger, however, ...enlist so readily as a... ...sailor, and though ...chance of preferment ...selves, in their youthful ...occasions of acquiring ...tion which never occu... ...hopes make the whole p... ...Their pay is less than th... ...bourers, and in actual se... ...are much greater.

The lottery of the sea is ... disadvantageous as that of ... son of a moderable labourer ... frequently go to sea with hi... ...but if he enlists as a soldie... ...without it. Other people s... ...of his making something by th... ...nobody but himself sees any of ... any thing by the other. The g... ...is less the object of public atten... ...the great general; and the high... ...in the sea service promises a les... ...fortune and reputation than equal ... the land. The same difference ru... ...all the inferior degrees of preferment. ...By the rules of precedency a captain ... navy ranks with a colonel in the army; ...he does not rank with him in the comm... ...estimation. As the great prizes in the lo... ...ry are less, the smaller ones must be more ...merous. Common sailors, therefore, more ...frequently get some fortune and preferment ...an common soldiers; and the hope of these ...prizes is what principally recommends the ...trade. Though their skill and dexterity ...are much superior to that of almost any ar... ...tificers, and though their whole life is one ...continual scene of hardship and danger, well ...worth all this dexterity and skill, for all those ...hardships and dangers, while they remain ...in the condition of common sailors, they ...receive scarce any other recompence but the ...pleasure of exercising the one and of sur... ...mounting the other. Their wages are not ...

...he others; in the trade to North A... for example, than in that to Jamaica... ordinary rate of profit always rises ... less with the risk. It does not, ... even to rise in proportion to it, or ... compensate it completely. Bankru... most frequent in the most hazardo... The most hazardous of all trades, ... smuggler, though when the adven... ceeds it is likewise the most profit... infallible road to bankruptcy. The ... tuous hope of success seems to ... upon all other occasions, and to ... many adventurers into those hazardous ... that their competition reduces their ... below what is sufficient to compens... risk. To compensate it complete... common returns ought, over and ab... ordinary profits of stock, not only ... up for all occasional losses, but to ... surplus profit to the adventurers of ... nature with the profit of insurers. ... the common returns were sufficient ... this, bankruptcies would not be mo... quent in these than in other trades.

Of the five circumstances, therefor... vary the wages of labour, two only af... profits of stock; the agreeableness ... agreeableness of the business, and the ... security with which it is attended. In ... of agreeableness or disagreeableness, the ... little or no difference in the far greater p... of the different employments of stock, bu... a great deal in those of labour; and the ordi... nary profit of stock, though it rises with the ... risk, does not always seem to rise in propor... tion to it. It should follow from all this ... that, in the same society or neighbourhood ... the average and ordinary rates of profit ... the different employments of stock shou... be more nearly upon a level than the pe... cuniary wages of the different sorts of labo... they are so accordingly. The differe... between the earnings of a common labou... and those of a well-employed lawyer or p... sician, is evidently much greater than ... between the ordinary profits in any two ... ferent branches of trade. The apparent ... ference, besides, in the profits of diff... trades, is generally a deception arising f... our not always distinguishing what ought ... be considered as wages, from what ought ... be considered as profit.

Apothecaries' profit is become a by-wo... denoting something uncommonly extra... gant. This great apparent profit, howe... is frequently no more than the reason... wages of labour. The skill of an apothe... is a much nicer and more delicate ma... than that of any artificer whatever; and ... trust which is reposed in him is of m...

...ge at ...ions's ...g from ...ose who ...ral Hig... ...n that of ...ht places; ...om which ...the port of ...e rest. At ...r part of the ... are about ...ses at Edin... ...sail from the ...above three or ...than those who ... and the differ... ...ce. In time of ...ant service, the ... guinea to about ...gs the calendar ...labourer in London, ...ten shillings a week, ...dar month from forty ...ings. The sailor, in... ...e his pay, is supplied ...eir value, however, may ...s exceed the difference ...nd that of the common ...ough it sometimes should, ...not be clear gain to the ... cannot share it with his ..., whom he must maintain ... home.*

...and hair-breadth escapes of a ...ares, instead of disheartening ...seem frequently to recommend ...m. A tender mother, among ...anks of people, is often afraid to ...n to school at a sea-port town, ...ips and the conversa... ...n to go to sea. ...azards, from which we can hope to ... ourselves by courage and address, ...agreeable to us, and does not raise ...ges of labour in any employment. It ...wise with those in which courage and ...address can be of no avail. In trades which ...are known to be very unwholesome, the ...wages of labour are always remarkably high. ...Unwholesomeness is a species of disagree... ...ableness, and its effects upon the wages of ...labour are to be ranked under that gener... ...of ...head.

In all the different employments of st... ...al the ordinary rate of profit varies more or ...less with the certainty or uncertainty of ...sk, ...returns. These are in general less un... ...certain in the inland than in the foreign t... ...the ...sk in some branches of foreign trade ...er... ...ade, ...than

* See note, ante, p. 34.

† It may now be rated at from 40s. to 60s. ED.

‡ It is singular that Dr. Smith should no... ...alluded to the practice of impressment, in s... ...arding the disadvantages incident to the sea s... ...have ...ince ...rvice.

For some remarks on this practice, the effect it ... in deterring young men from entering the sea ser... and the means by which it might be abolished ... not injury to the navy, see note on Impress... end of the volume.

greater importance. He is the physician of the poor in all cases, and of the rich when the distress or danger is not very great. His reward, therefore, ought to be suitable to his skill and his trust, and it arises generally from the price at which he sells his drugs. But the whole drugs which the best employed apothecary, in a large market town, will sell in a year, may not perhaps cost him above thirty or forty pounds. Though he should sell them, therefore, for three or four hundred, or at a thousand per cent. profit, this may frequently be no more than the reasonable wages of his labour, charged, in the only way in which he can charge them, upon the price of his drugs. The greater part of the apparent profit is real wages disguised in the garb of profit.

In a small sea-port town, a little grocer will make forty or fifty per cent. upon a stock of a single hundred pounds, while a considerable wholesale merchant in the same place will scarce make eight or ten per cent. upon a stock of ten thousand. The trade of the grocer may be necessary for the convenience of the inhabitants, and the narrowness of the market may not admit the employment of a larger capital in the business. The man, however, must not only live by his trade, but live by it suitably to the qualifications which it requires. Besides possessing a little capital, he must be able to read, write, and account, and must be a tolerable judge too of, perhaps, fifty or sixty different sorts of goods, their prices, qualities, and the markets where they are to be had cheapest. He must have all the knowledge, in short, that is necessary for a great merchant, which nothing hinders him from becoming but the want of a sufficient capital. Thirty or forty pounds a year cannot be considered as too great a recompence for the labour of a person so accomplished. Deduct this from the seemingly great profits of his capital, and little more will remain, perhaps, than the ordinary profits of stock. The greater part of the apparent profit is, in this case too, real wages.

The difference between the apparent profit of the retail and that of the wholesale trade, is much less in the capital than in small towns and country villages. Where ten thousand pounds can be employed in the grocery trade, the wages of the grocer's labour make but a very trifling addition to the real profits of so great a stock. The apparent profits of the wealthy retailer, therefore, are there more nearly upon a level with those of the wholesale merchant. It is upon this account that goods sold by retail are generally as cheap and frequently much cheaper in the capital than in small towns and country villages. Grocery goods, for example, are generally much cheaper; bread and butcher's meat frequently as cheap. It costs no more to bring grocery goods to the great town than to the country village; but it costs a great deal more to bring corn and cattle, as the greater part of them must be brought from a much greater distance. The prime cost of grocery goods, therefore, being the same in both places, they are cheapest where the least profit is charged upon them. The prime cost of bread and butcher's meat is greater in the great town than in the country village; and though the profit is less, therefore, they are not always cheaper there, but often equally cheap. In such articles as bread and butcher's meat, the same cause, which diminishes apparent profit, increases prime cost. The extent of the market, by giving employment to greater stocks, diminishes apparent profit; but by requiring supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counterbalance one another; which is probably the reason that, though the prices of corn and cattle are commonly very different in different parts of the kingdom, those of bread and butcher's meat are generally very nearly the same through the greater part of it.

Though the profits of stock both in the wholesale and retail trade are generally less in the capital than in small towns and country villages, yet great fortunes are frequently acquired from small beginnings in the former, and scarce ever in the latter. In small towns and country villages, on account of the narrowness of the market, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of both, and the sum or amount of his profits is in proportion to the extent of his trade, and his annual accumulation in proportion to the amount of his profits. It seldom happens, however, that great fortunes are made even in great towns by any one regular, established, and well-known branch of business, but in consequence of a long life of industry, frugality, and attention. Sudden fortunes, indeed, are sometimes made in such places by what is called the trade of speculation. The speculative merchant exercises no one regular, established, or well known branch of business. He is a corn merchant this year, and a wine merchant the next, and a sugar, tobacco, or tea merchant the year after. He enters into every trade when he foresees that it is likely to be more than commonly profitable, and he quits it

when he foresees that its profits are likely to return to the level of other trades. His profits and losses, therefore, can bear no regular proportion to those of any one established and well-known branch of business. A bold adventurer may sometimes acquire a considerable fortune by two or three successful speculations; but is just as likely to lose one by two or three unsuccessful ones. This trade can be carried on nowhere but in great towns. It is only in places of the most extensive commerce and correspondence, that the intelligence requisite for it can be had.

The five circumstances above mentioned, though they occasion considerable inequalities in the wages of labour and profits of stock, occasion none in the whole of the advantages and disadvantages, real or imaginary, of the different employments of either. The nature of those circumstances is such, that they make up for a small pecuniary gain in some, and counterbalance a great one in others.

In order, however, that this equality may take place in the whole of their advantages or disadvantages, three things are requisite, even where there is the most perfect freedom. First, the employments must be well known and long established in the neighbourhood; secondly, they must be in their ordinary, or what may be called their natural state; and, thirdly, they must be the sole or principal employments of those who occupy them.

First, This equality can take place only in those employments which are well known, and have been long established in the neighbourhood.

Where all other circumstances are equal, wages are generally higher in new than in old trades. When a projector attempts to establish a new manufacture, he must at first entice his workmen from other employments by higher wages than they can either earn in their own trades, or than the nature of his work would otherwise require, and a considerable time must pass away before he can venture to reduce them to the common level. Manufactures for which the demand arises altogether from fashion and fancy, are continually changing, and seldom last long enough to be considered as old established manufactures. Those, on the contrary, for which the demand arises chiefly from use or necessity, are less liable to change, and the same form or fabric may continue in demand for whole centuries together. The wages of labour, therefore, are likely to be higher in manufactures of the former, than in those of the latter kind. Birmingham deals chiefly in manufactures of the former kind; Sheffield in those of the latter; and the wages of labour in those two different places, are said to be suitable to this difference in the nature of their manufactures.

The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture, is always a speculation, from which the projector promises himself extraordinary profits. These profits sometimes are very great, and sometimes, more frequently perhaps, they are quite otherwise; but in general they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, the competition reduces them to the level of other trades.

Secondly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in the ordinary, or what may be called the natural state of those employments.

The demand for almost every different species of labour is sometimes greater and sometimes less than usual. In the one case the advantages of the employment rise above, in the other they fall below the common level. The demand for country labour is greater at hay time and harvest than during the greater part of the year; and wages rise with the demand. In time of war, when forty or fifty thousand sailors are forced from the merchant service into that of the king, the demand for sailors to merchant ships necessarily rises with their scarcity; and their wages upon such occasions commonly rise from a guinea and seven-and-twenty shillings, to forty shillings and three pounds a month. In a decaying manufacture, on the contrary, many workmen, rather than quit their old trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment.

The profits of stock vary with the price of the commodities in which it is employed. As the price of any commodity rises above the ordinary or average rate, the profits of at least some part of the stock that is employed in bringing it to market, rise above their proper level, and as it falls they sink below it. All commodities are more or less liable to variations of price, but some are much more so than others. In all commodities which are produced by human industry, the quantity of industry annually employed is necessarily regulated by the annual demand, in such a manner that the average annual produce may, as nearly as possible, be equal to the average annual consumption. In some employments it has already been observed, the same quantity of industry will always produce the same, or very nearly the same, quantity of commodities. In the linen or woollen manufactures, for example, the same number of hands will annually work up very nearly the same quantity of linen and woollen cloth. The variations in the

market price of such commodities, therefore, can arise only from some accidental variation in the demand. A public mourning raises the price of black cloth; but as the demand for most sorts of plain linen and woollen cloth is pretty uniform, so is likewise the price. But there are other employments in which the same quantity of industry will not always produce the same quantity of commodities. The same quantity of industry, for example, will, in different years, produce very different quantities of corn, wine, hops, sugar, tobacco, &c. The price of such commodities, therefore, varies not only with the variations of demand, but with the much greater and more frequent variations of quantity, and is consequently extremely fluctuating; but the profit of some of the dealers must necessarily fluctuate with the price of the commodities. The operations of the speculative merchant are principally employed about such commodities. He endeavours to buy them up when he foresees that their price is likely to rise, and to sell them when it is likely to fall.

Thirdly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them.

When a person derives his subsistence from one employment, which does not occupy the greater part of his time, in the intervals of his leisure he is often willing to work at another for less wages than would otherwise suit the nature of the employment.

There still subsists in many parts of Scotland a set of people called Cotters or Cottagers, though they were more frequent some years ago than they are now.[1] They are a sort of out-servants of the landlords and farmers. The usual reward which they receive from their masters is a house, a small garden for pot-herbs, as much grass as will feed a cow, and perhaps an acre or two of bad arable land. When their master has occasion for their labour, he gives them, besides, two pecks of oatmeal a week, worth about sixteen pence sterling. During a great part of the year he has little or no occasion for their labour, and the cultivation of their own little possession is not sufficient to occupy the time which is left at their own disposal. When such occupiers were more numerous than they are at present, they are said to have been willing to give their spare time for a very small recompence to any body, and to have wrought for less wages than other labourers. In ancient times they seem to have been common all over Europe. In countries ill-cultivated and worse inhabited, the greater part of landlords and farmers could not otherwise provide themselves with the extraordinary number of hands which country labour requires at certain seasons. The daily or weekly recompence which such labourers occasionally received from their masters, was evidently not the whole price of their labour. Their small tenement made a considerable part of it. This daily or weekly recompence, however, seems to have been considered as the whole of it, by many writers who have collected the prices of labour and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low.

The produce of such labour comes frequently cheaper to market than would otherwise be suitable to its nature. Stockings in many parts of Scotland are knit much cheaper than they can anywhere be wrought upon the loom. They are the work of servants and labourers, who derive the principal part of their subsistence from some other employment. More than a thousand pair of Shetland stockings are annually imported into Leith, of which the price is from five pence to seven pence a pair. At Lerwick, the small capital of the Shetland islands, ten pence a day, I have been assured, is a common price of common labour. In the same islands, they knit worsted stockings to the value of a guinea a pair and upwards.

The spinning of linen yarn is carried on in Scotland nearly in the same way as the knitting of stockings by servants, who are chiefly hired for other purposes. They earn but a very scanty subsistence, who endeavour to get their whole livelihood by either of those trades. In most parts of Scotland she is a good spinner who can earn twenty pence a week.[2]

In opulent countries the market is generally so extensive, that any one trade is sufficient to employ the whole labour and stock of those who occupy it. Instances of people's living by one employment, and at the same time deriving some little advantage from another, occur chiefly in poor countries. The following instance, however, of something of the same kind is to be found in the capital of a very rich one. There is no city in Europe, I believe, in which house-rent is dearer than in London, and yet I know no capital in which a furnished apartment can be hired so cheap. Lodging is not only much cheaper in London than in Paris; it is much cheaper than in Edinburgh of the same degree of goodness; and what may seem extraordinary, the dearness of house-rent is the cause of the cheapness of lodging. The dearness of house-rent in London arises, not only from those causes which render it dear in all great capitals — the dearness of labour, the dearness of all the materials of building,

[1] At present this class is nearly extinct.

[2] Linen yarn is now principally spun by means of machinery.

which must generally be brought from a great distance, and above all the dearness of ground-rent, every landlord acting the part of a monopolist, and frequently exacting a higher rent for a single acre of bad land in a town, than can be had for a hundred of the best in the country; but it arises in part from the peculiar manners and customs of the people, which oblige every master of a family to hire a whole house from top to bottom. A dwelling-house in England means every thing that is contained under the same roof. In France, Scotland, and many other parts of Europe, it frequently means no more than a single story. A tradesman in London is obliged to hire a whole house in that part of the town where his customers live. His shop is upon the ground-floor, and he and his family sleep in the garret; and he endeavours to pay a part of his house-rent by letting the two middle stories to lodgers. He expects to maintain his family by his trade, and not by his lodgers. Whereas, at Paris and Edinburgh, the people who let lodgings have commonly no other means of subsistence; and the price of the lodging must pay, not only the rent of the house, but the whole expense of the family.

Part II.

Inequalities occasioned by the Policy of Europe.

Such are the inequalities in the whole of the advantages and disadvantages of the different employments of labour and stock, which the defect of any of the three requisites above mentioned must occasion, even where there is the most perfect liberty. But the policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance.

It does this chiefly in the three following ways. First, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them; secondly, by increasing it in others beyond what it naturally would be; and, thirdly, by obstructing the free circulation of labour and stock, both from employment to employment, and from place to place.

First, the policy of Europe occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock, by restraining the competition in some employments to a smaller number than might otherwise be disposed to enter into them.

The exclusive privileges of corporations are the principal means it makes use of for this purpose.

The exclusive privilege of an incorporated trade necessarily restrains the competition, in the town where it is established, to those who are free of the trade.[1] To have served an apprenticeship in the town, under a master properly qualified, is commonly the necessary requisite for obtaining this freedom. The by-laws of the corporation regulate sometimes the number of apprentices which any master is allowed to have, and almost always the number of years which each apprentice is obliged to serve. The intention of both regulations is to restrain the competition to a much smaller number than might otherwise be disposed to enter into the trade. The limitation of the number of apprentices restrains it directly. A long term of apprenticeship restrains it more indirectly, but as effectually, by increasing the expense of education.

In Sheffield no master cutler can have more than one apprentice at a time, by a by-law of the corporation. In Norfolk and Norwich no master weaver can have more than two apprentices, under pain of forfeiting five pounds a month to the king. No master hatter can have more than two apprentices anywhere in England, or in the English plantations, under pain of forfeiting five pounds a month, half to the king, and half to him who shall sue in any court of record. Both these regulations, though they have been confirmed by a public law of the kingdom, are evidently dictated by the same corporation spirit which enacted the by-law of Sheffield. The silk-weavers in London had scarce been incorporated a year when they enacted a by-law, restraining any master from having more than two apprentices at a time. It required a particular act of parliament to rescind this by-law.

Seven years seem anciently to have been, all over Europe, the usual term established for the duration of apprenticeships in the greater part of incorporated trades. All such incorporations were anciently called universities; which indeed is the proper Latin name for any incorporation whatever. The university of smiths, the university of tailors, &c. are expressions which we commonly meet with in the old charters of ancient towns. When those particular incorporations, which are now peculiarly called universities, were first established, the term of years which it was necessary to study, in order to obtain the degree of master of arts, appears evidently to have been copied from the term of apprenticeship in common

[1] Although there can be no doubt that corporation privileges are both oppressive and vexatious, still we cannot help thinking that their injurious operation has been considerably exaggerated by Dr. Smith. Competition is always free among the members of every corporation; and there are but few in which their number is not so considerable as to preclude the chance of their forming any effectual combination for a rise of prices.

trades, of which the incorporations were much more ancient. As to have wrought seven years under a master properly qualified, was necessary, in order to entitle any person to become a master, and to have himself apprentices in a common trade; so to have studied seven years under a master properly qualified, was necessary to entitle him to become a master, teacher, or doctor (words anciently synonymous) in the liberal arts, and to have scholars or apprentices (words likewise originally synonymous) to study under him.

By the 5th of Elizabeth, commonly called the Statute of Apprenticeship, it was enacted, that no person should for the future exercise any trade, craft, or mystery at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least; and what before had been the by-law of many particular corporations, became in England the general and public law of all the trades carried on in market towns. For though the words of the statute are very general, and seem plainly to include the whole kingdom, by interpretation its operation has been limited to market towns, it having been held that in country villages a person may exercise several different trades, though he has not served a seven years' apprenticeship to each, they being necessary for the convenience of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular set of hands.[1]

By a strict interpretation of the words, too, the operation of this statute has been limited to those trades which were established in England before the 5th of Elizabeth, and has never been extended to such as have been introduced since that time. This limitation has given occasion to several distinctions which, considered as rules of police, appear as foolish as can well be imagined. It has been adjudged, for example, that a coachmaker can neither himself make nor employ journeymen to make his coach wheels, but must buy them of a master wheelwright; this latter trade having been exercised in England before the 5th of Elizabeth. But a wheelwright, though he has never served an apprenticeship to a coachmaker, may either himself make or employ journeymen to make coaches; the trade of a coachmaker not being within the statute, because not exercised in England at the time when it was made. The manufactures of Manchester, Birmingham, and Wolverhampton, are many of them, upon this account, not within the statute; not having been exercised in England before the 5th of Elizabeth.

In France the duration of apprenticeships is different in different towns and in different trades. In Paris five years is the term required in a great number; but before any person can be qualified to exercise the trade as a master, he must, in many of them, serve five years more as a journeyman. During this latter term he is called the companion of his master, and the term itself is called his companionship.

In Scotland there is no general law which regulates universally the duration of apprenticeships. The term is different in different corporations. Where it is long, a part of it may generally be redeemed by paying a small fine. In most towns too a very small fine is sufficient to purchase the freedom of any corporation. The weavers of linen and hempen cloth, the principal manufactures of the country, as well as all other artificers subservient to them, wheelmakers, reedmakers, &c. may exercise their trades in any town corporate without paying any fine. In all towns corporate all persons are free to sell butcher's meat upon any lawful day of the week. Three years is in Scotland a common term of apprenticeship, even in some very nice trades; and, in general, I know of no country in Europe in which corporation laws are so little oppressive.

The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns. The affected anxiety of the lawgiver lest they should employ an improper person, is evidently as impertinent as it is oppressive.

The institution of long apprenticeships can give no security that insufficient workmanship shall not frequently be exposed to public sale. When this is done it is generally the effect of fraud, and not of inability; and the longest apprenticeship can give no

[1] The Statute of Apprenticeship was repealed in 1814, by the statute 54 Geo. III. cap. 96. This act did not, however, interfere with any of the existing rights, privileges, or by-laws, of the different legally constituted corporations; but wherever these do not stand in the way, the formation of apprenticeships, and their duration, is now entirely left to be adjusted by the parties themselves

security against fraud. Quite different regulations are necessary to prevent this abuse. The sterling mark upon plate, and the stamps upon linen and woollen cloth, give the purchaser much greater security than any statute of apprenticeship. He generally looks at these, but never thinks it worth while to inquire whether the workman had served a seven years' apprenticeship.

The institution of long apprenticeships has no tendency to form young people to industry. A journeyman who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry. An apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise. In the inferior employments, the sweets of labour consist altogether in the recompence of labour. They who are soonest in a condition to enjoy the sweets of it, are likely soonest to conceive a relish for it, and to acquire the early habit of industry. A young man naturally conceives an aversion to labour, when for a long time he receives no benefit from it. The boys who are put out apprentices from public charities are generally bound for more than the usual number of years, and they generally turn out very idle and worthless.

Apprenticeships were altogether unknown to the ancients. The reciprocal duties of master and apprentice make a considerable article in every modern code. The Roman law is perfectly silent with regard to them. I know no Greek or Latin word (I might venture, I believe, to assert that there is none) which expresses the idea we now annex to the word Apprentice, a servant bound to work at a particular trade for the benefit of a master, during a term of years, upon condition that the master shall teach him that trade.

Long apprenticeships are altogether unnecessary. The arts, which are much superior to common trades, such as those of making clocks and watches, contain no such mystrey as to require a long course of instruction. The first invention of such beautiful machines, indeed, and even that of some of the instruments employed in making them, must, no doubt, have been the work of deep thought and long time, and may justly be considered as among the happiest efforts of human ingenuity. But when both have been fairly invented and are well understood, to explain to any young man, in the completest manner, how to apply the instruments and how to construct the machines, cannot well require more than the lessons of a few weeks: perhaps those of a a few days might be sufficient. In the common mechanic trades, those of a few days might certainly be sufficient. The dexterity of hand, indeed, even in common trades, cannot be acquired without much practice and experience. But a young man would practise with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience. His education would generally in this way be more effectual, and always less tedious and expensive. The master, indeed, would be a loser. He would lose all the wages of the apprentice, which he now saves, for seven years together. In the end, perhaps, the apprentice himself would be a loser. In a trade so easily learnt he would have more competitors, and his wages, when he came to be a complete workman, would be much less than at present. The same increase of competition would reduce the profits of the masters as well as the wages of the workmen. The trades, the crafts, the mysteries, would all be losers. But the public would be a gainer, the work of all artificers coming in this way much cheaper to market.

It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation laws, have been established. In order to erect a corporation, no other authority in ancient times was requisite in many parts of Europe, but that of the town corporate in which it was established. In England, indeed, a charter from the king was likewise necessary. But this prerogative of the crown seems to have been reserved rather for extorting money from the subject, than for the defence of the common liberty against such oppressive monopolies. Upon paying a fine to the king, the charter seems generally to have been readily granted; and when any particular class of artificers or traders thought proper to act as a corporation without a charter, such adulterine guilds, as they were called, were not always disfranchised upon that account, but obliged to fine annually to the king for permission to exercise their usurped privileges.[1] The immediate inspection of all corporations, and of the by-laws which they might think proper to enact for their own government, belonged to the town corporate in which they were established; and whatever discipline was exercised over them, proceeded commonly not from the king, but from that greater incorporation of which those subordinate ones were only parts or members.

The government of towns corporate was altogether in the hands of traders and artificers; and it was the manifest interest of every particular class of them to prevent the market from being over-stocked, as they commonly express it, with their own parti-

[1] See Madox Firma Burgi, p. 26. &c

cular species of industry; which is in reality to keep it always under-stocked. Each class was eager to establish regulations proper for this purpose, and, provided it was allowed to do so, was willing to consent that every other class should do the same. In consequence of such regulations, indeed, each class was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompence, they were enabled to sell their own just as much dearer; so that so far it was as broad as long, as they say; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town.

Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways: first, by sending back to the country a part of those materials wrought up and manufactured; in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers: secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country. They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country.

The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. The dearer the latter are sold, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous.

That the industry which is carried on in towns is, everywhere in Europe, more advantageous than that which is carried on in the country, without entering into any very nice computations, we may satisfy ourselves by one very simple and obvious observation. In every country of Europe we find, at least, a hundred people who have acquired great fortunes from small beginnings by trade and manufactures, the industry which properly belongs to towns, for one who has done so by that which properly belongs to the country, the raising of rude produce by the improvement and cultivation of land. Industry, therefore, must be better rewarded, the wages of labour and the profits of stock must evidently be greater in the one situation than in the other.[1] But stock and labour naturally seek the most advantageous employment. They naturally, therefore, resort as much as they can to the town, and desert the country.

The inhabitants of a town, being collected into one place, can easily combine together. The most insignificant trades carried on in towns have accordingly, in some place or other, been incorporated; and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade, generally prevail in them, and often teach them, by voluntary associations and agreements, to prevent that free competition which they cannot prohibit by by-laws. The trades which employ but a small number of hands, run most easily into such combinations. Half a dozen woolcombers, perhaps, are necessary to keep a thousand spinners and weavers at work. By combining not to take apprentices they can not only engross the employment, but reduce the whole manufacture into a sort of slavery to themselves, and raise the price of their labour much above what is due to the nature of their work.

The inhabitants of the country, dispersed in distant places, cannot easily combine together. They have not only never been incorporated, but the corporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country. After what are called the fine arts and the liberal professions, however, there is

[1] Industry is not really, upon an average, better rewarded in towns than in the country; but traders and manufacturers residing in a town have, as Dr. Smith has already explained, a greater field for the prosecution of their industry, or greater opportunities for making a fortune by the employment of a large capital.

perhaps no trade which requires so great a variety of knowledge and experience. The innumerable volumes which have been written upon it in all languages, may satisfy us, that among the wisest and most learned nations, it has never been regarded as a matter very easily understood. And from all those volumes we shall in vain attempt to collect that knowledge of its various and complicated operations, which is commonly possessed even by the common farmer; how contemptuously soever the very contemptible authors of some of them may sometimes affect to speak of him. There is scarce any common mechanic trade, on the contrary, of which all the operations may not be as completely and distinctly explained in a pamphlet of a very few pages, as it is possible for words illustrated by figures to explain them. In the history of the arts, now publishing by the French academy of sciences, several of them are actually explained in this manner. The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgment and discretion than that of those which are always the same or very nearly the same.

Not only the art of the farmer, the general direction of the operations of husbandry, but many inferior branches of country labour require much more skill and experience than the greater part of mechanic trades. The man who works upon brass and iron, works with instruments, and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen, works with instruments of which the health, strength, and temper are very different upon different occasions. The condition of the materials which he works upon, too, is as variable as that of the instruments which he works with, and both require to be managed with much judgment and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance, is seldom defective in this judgment and discretion. He is less accustomed, indeed, to social intercourse than the mechanic who lives in a town. His voice and language are more uncouth and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally much superior to that of the other, whose whole attention from morning till night is commonly occupied in performing one or two very simple operations. How much the lower ranks of people in the country are really superior to those of the town, is well known to every man whom either business or curiosity has led to converse much with both.[1] In China and Indostan, accordingly, both the rank and the wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would, probably, be so everywhere, if corporation laws and the corporation spirit did not prevent it.

The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. The high duties upon foreign manufactures, and upon all goods imported by alien merchants, all tend to the same purpose. Corporation laws enable the inhabitants of towns to raise their prices, without fearing to be undersold by the free competition of their own countrymen. Those other regulations secure them equally against that of foreigners.[2] The

[1] Whatever may have been the case formerly, the statement in the text is most certainly inapplicable at present. (1863.) Instead of its being true that the workmen employed in manufactures and commerce are less intelligent and acute than those employed in agriculture, the fact is distinctly and completely the reverse. The weavers, and other mechanics of Glasgow, Manchester, Birmingham, &c. possess far more general and useful information than is possessed by the agricultural labourers of any part of the empire. And this is really what a more unprejudiced inquiry into the subject would lead to anticipate. The various occupations in which the husbandman successively engages, their constant liability to be affected by so variable a power as the weather, and the perpetual change in the appearance of the objects which daily meet his eyes, and with which he is conversant, occupy his attention, and render him a stranger to that ennui and desire for adventitious excitement which must ever be felt by those who are constantly engaged in burnishing the point of a pin, or in performing the same endless routine of precisely similar operations. This want of excitement cannot, however, be so cheaply or effectually gratified in any way as it may be by *stimulating*, that is, by cultivating the mental powers. Most workmen have no time for dissipation; and though they had, the wages of labour in old settled and densely peopled countries are too low, and the propensity to save and accumulate too powerful, to permit their generally seeking to divert themselves by indulging in riot and excess. They are thus driven to seek for recreation in mental excitement; and the circumstances under which they are placed afford them every possible facility for gratifying themselves in this manner. By working together in considerable numbers they have what the agriculturists generally want, constant opportunities of discussing every topic of interest or importance; they are thus gradually trained to habits of thinking and reflection; their intellects are sharpened by the collision of conflicting opinions; and a small contribution from each individual enables them to obtain supplies of newspapers and of the cheaper class of periodical publications. But whatever difference of opinion may exist respecting the cause there can be no doubt of the fact, that the intelligence of manufacturing and commercial workmen has increased according as their numbers have increased, and as their employments have been more and more subdivided. We doubt whether there be any good grounds for supposing that they were ever less intelligent than the agriculturists; though, whatever may have been the case a century or two since, few will now venture to affirm that they are inferior to them in intellectual acquirements, or that they are mere machines without sentiment or reason.

[2] These regulations have not been productive of any real advantage to the towns; they have attracted a greater portion of capital and industry to certain employments than what properly belonged to them; but as competition has been always free among the inhabitants of the towns, it is quite impossible they

enhancement of price occasioned by both is everywhere finally paid by the landlords, farmers, and labourers of the country, who have seldom opposed the establishment of such monopolies. They have commonly neither inclination nor fitness to enter into combinations[1]; and the clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole.

In Great Britain the superiority of the industry of the towns over that of the country, seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century, or in the beginning of the present. This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great, that it can no longer be employed with the ancient profit, in that species of industry which is peculiar to them. That industry has its limits like every other; and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the town forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is, in part, restored to the country, at the expense of which, in a great measure, it had originally been accumulated in the town. That everywhere in Europe the greatest improvements of the country have been owing to such overflowings of the stock originally accumulated in the towns, I shall endeavour to show hereafter; and at the same time to demonstrate, that though some countries have, by this course, attained to a considerable degree of opulence, it is, in itself, necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason. The interests, prejudices, laws and customs which have given occasion to it, I shall endeavour to explain as fully and distinctly as I can in the third and fourth books of this inquiry.

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.[2] It is impossible, indeed, to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.

A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. It connects individuals who might never otherwise be known to one another, and gives every man of the trade a direction where to find every other man of it.

A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows and orphans, by giving them a common interest to manage, renders such assemblies necessary.

An incorporation not only renders them necessary, but makes the act of the majority binding upon the whole. In a free trade an effectual combination cannot be established but by the unanimous consent of every single trader, and it cannot last longer than every single trader continues of the same mind. The majority of a corporation can enact a by-law with proper penalties, which will limit the competition more effectually and more durably than any voluntary combination whatever.

The pretence that corporations are necessary for the better government of the trade, is without any foundation. The real and effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is the fear of losing their employment which restrains his frauds and corrects his negligence. An exclusive corporation necessarily weakens the force of this discipline. A particular set of workmen must then be employed, let them behave well or ill. It is upon this account that in many large incorporated towns no tolerable workmen are to be found even in some of the most necessary trades. If you would have your work tolerably executed, it must be done in the suburbs, where the workmen, having no exclusive privilege, have nothing but their character to depend upon; and you must then smuggle it into the town as well as you can.

It is in this manner that the policy of Europe, by restraining the competition in

can have raised their profits sensibly above the common and ordinary rate of profit in the country at large.

[1] Had Dr. Smith witnessed the proceedings that have taken place since 1791 with respect to the corn laws, he would perhaps, have somewhat modified this statement.

[2] But it is next to impossible for any such contrivance to have the effect supposed. The moment a combination to force prices up to an artificial elevation begins to take effect, the interest of individuals to secede from it becomes too great to allow it to be maintained for any considerable period

some employments to a smaller number than would otherwise be disposed to enter into them, occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock.

Secondly, The policy of Europe, by increasing the competition in some employments beyond what it naturally would be, occasions another inequality of an opposite kind in the whole of the advantages and disadvantages of the different employments of labour and stock.

It has been considered as of so much importance that a proper number of young people should be educated for certain professions, that sometimes the public and sometimes the piety of private founders have established many pensions, scholarships, exhibitions, bursaries, &c. for this purpose, which draw many more people into those trades than could otherwise pretend to follow them. In all Christian countries, I believe, the education of the greater part of churchmen is paid for in this manner. Very few of them are educated altogether at their own expense. The long, tedious, and expensive education, therefore, of those who are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompence than what such an education would otherwise have entitled them to; and in this manner the competition of the poor takes away the reward of the rich. It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade. The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman. They are, all three, paid for their work according to the contract which they may happen to make with their respective superiors. Till after the middle of the fourteenth century, five merks, containing about as much silver as ten pounds of our present money, was in England the usual pay of a curate or a stipendiary parish priest, as we find it regulated by the decrees of several different national councils. At the same period four pence a day, containing the same quantity of silver as a shilling of our present money, was declared to be the pay of a master mason, and three pence a day, equal to nine pence of our present money, that of a journeyman mason.[1] The wages of both these labourers, therefore, supposing them to have been constantly employed, were much superior to those of the curate. The wages of the master mason, supposing him to have been without employment one-third of the year, would have fully equalled them. By the 12th of Queen Anne, c. 12, it is declared, "That whereas for want of sufficient maintenance and encouragement to curates, the cures have in several places been meanly supplied, the bishop is, therefore, empowered to appoint by writing under his hand and seal a sufficient certain stipend or allowance, not exceeding fifty and not less than twenty pounds a year." Forty pounds a year is reckoned at present very good pay for a curate, and notwithstanding this act of parliament, there are many curacies under twenty pounds a year.[2] There are journeymen shoemakers in London who earn forty pounds a year, and there is scarce an industrious workman of any kind in that metropolis who does not earn more than twenty. This last sum indeed does not exceed what is frequently earned by common labourers in many country parishes. Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them. But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of. And in both cases the law seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of labourers to the degree that was intended; because it has never been able to hinder either the one from being willing to accept of less than the legal allowance, on account of the indigence of their situation and the multitude of their competitors; or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them.

The great benefices and other ecclesiastical dignities support the honour of the church, notwithstanding the mean circumstances of some of its inferior members. The respect paid to the profession too makes some compensation even to them for the meanness of their pecuniary recompence. In England, and in all Roman Catholic countries, the lottery of the church is in reality much more advantageous than is necessary. The example of the churches of Scotland, of Geneva, and of several other protestant churches, may satisfy us that in so creditable a profession, in which education is so easily procured, the hopes of much

[1] See the statute of labourers, 25 Ed. III

[2] By an act passed in 1817 (57 Geo. III. cap. 99.), bishops are empowered to license curates and assign them salaries, which are in no case to be *less* than £80 a year, and which are to increase up to £150 a year, according as the population of the parish increases in magnitude. But though this act has certainly made a very decided improvement in the condition of curates, still it may be doubted, for the reasons stated by Dr. Smith, whether its provisions be not sometimes defeated by a private arrangement between them and their employers.

more moderate benefices will draw a sufficient number of learned, decent, and respectable men into holy orders.[1]

In professions in which there are no benefices, such as law and physic, if an equal proportion of people were educated at the public expense, the competition would soon be so great, as to sink very much their pecuniary reward. It might then not be worth any man's while to educate his son to either of those professions at his own expense. They would be entirely abandoned to such as had been educated by those public charities, whose numbers and necessities would oblige them in general to content themselves with a very miserable recompence, to the entire degradation of the now respectable professions of law and physic.

That unprosperous race of men, commonly called men of letters, are pretty much in the situation which lawyers and physicians probably would be in upon the foregoing supposition. In every part of Europe the greater part of them have been educated for the church, but have been hindered by different reasons from entering into holy orders. They have generally, therefore, been educated at the public expense, and their numbers are everywhere so great, as commonly to reduce the price of their labour to a very paltry recompence.

Before the invention of the art of printing, the only employment by which a man of letters could make any thing by his talents, was that of a public or private teacher, or by communicating to other people the curious and useful knowledge which he had acquired himself: and this is still surely a more honourable, a more useful, and in general even a more profitable employment, than that other, of writing for a bookseller, to which the art of printing has given occasion. The time and study, the genius, knowledge, and application requisite to qualify an eminent teacher of the sciences, are at least equal to what is necessary for the greatest practitioners in law and physic. But the usual reward of the eminent teacher bears no proportion to that of the lawyer or physician; because the trade of the one is crowded with indigent people, who have been brought up to it at the public expense; whereas those of the other two are incumbered with very few who have not been educated at their own. The usual recompence, however, of public and private teachers, small as it may appear, would undoubtedly be less than it is, if the competition of those yet more indigent men of letters, who write for bread, was not taken out of the market. Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous. The different governors of the universities, before that time, appear to have often granted licences to their scholars to beg.

In ancient times, before any charities of this kind had been established for the education of indigent people to the learned professions, the rewards of eminent teachers appear to have been much more considerable. Isocrates, in what is called his discourse against the sophists, reproaches the teachers of his own times with inconsistency. "They make the most magnificent promises to their scholars," says he, "and undertake to teach them to be wise, to be happy, and to be just, and in return for so important a service they stipulate the paltry reward of four or five minæ. They who teach wisdom," continues he, "ought certainly to be wise themselves; but if any man were to sell such a bargain for such a price, he would be convicted of the most evident folly." He certainly does not mean here to exaggerate the reward, and we may be assured that it was not less than he represents it. Four minæ were equal to thirteen pounds, six shillings and eight pence; five minæ to sixteen pounds thirteen shillings and four pence.[2] Something not less than the largest of these two sums, therefore, must at that time have been usually paid to the most eminent teachers at Athens. Isocrates himself demanded ten minæ, or thirty-three pounds six shillings and eight pence, from each scholar. When he taught at Athens, he is said to have had an hundred scholars. I understand this to be the number whom he taught at one time, or who attended what we would call one course of lectures, a number which will not appear extraordinary, from so great a city to so famous a teacher, who taught too what was at that time the most fashionable of all sciences, rhetoric. He must have made, therefore, by each course of lectures, a thousand minæ, or 3333*l.* 6*s.* 8*d.* A thousand minæ, accordingly, is said by Plutarch in another place, to have been his didactron, or usual price of teaching. Many other eminent teachers in those times appear to have acquired great fortunes. Gorgias made a present to the temple of Delphi of his own statue in solid gold. We must not, I presume, suppose that it was as large as the life. His way of living, as well as

[1] An act passed in 1812, raised the stipends of such Scotch clergymen as were below £150 a year, exclusive of their houses and glebes, to that sum. It seems, however, to be generally admitted that such an income is inadequate to support a clergyman in his proper station; and that the minimum stipend, exclusive of glebes and houses, should be raised to £250 or £300 a year.

[2] Dr. Smith has followed the estimate of Arbuthnot, who supposes the Attic mina to have been equivalent to £3 6*s.* 8*d.* There are very cogent reasons, however, for supposing that this estimate is greatly exaggerated, and that very little reliance can be placed on Arbuthnot's Tables. See Garnier, *Richesse des Nations*, tome v. p. 408, and the article Money in the Encyclopædia Britannica.

that of Hippias and Protagoras, two other eminent teachers of those times, is represented by Plato as splendid even to ostentation. Plato himself is said to have lived with a good deal of magnificence. Aristotle, after having been tutor to Alexander, and most munificently rewarded, as it is universally agreed, both by him and his father Philip, thought it worth while, notwithstanding, to return to Athens, in order to resume the teaching of his school. Teachers of the sciences were probably in those times less common than they came to be in an age or two afterwards, when the competition had probably somewhat reduced both the price of their labour and the admiration for their persons. The most eminent of them, however, appear always to have enjoyed a degree of consideration much superior to any of the like profession in the present times. The Athenians sent Carneades the academic, and Diogenes the stoic, upon a solemn embassy to Rome; and though their city had then declined from its former grandeur, it was still an independent and considerable republic. Carneades, too, was a Babylonian by birth; and as there never was a people more jealous of admitting foreigners to public offices than the Athenians, their consideration for him must have been very great.

This inequality is, upon the whole, perhaps rather advantageous than hurtful to the public. It may somewhat degrade the profession of a public teacher; but the cheapness of literary education is surely an advantage which greatly overbalances this trifling inconveniency. The public too, might derive still greater benefit from it, if the constitution of those schools and colleges in which education is carried on, was more reasonable than it is at present through the greater part of Europe.

Thirdly, The policy of Europe, by obstructing the free circulation of labour and stock both from employment to employment, and from place to place, occasions in some cases a very inconvenient inequality in the whole of the advantages and disadvantages of their different employments.

The statute of apprenticeship obstructs the free circulation of labour from one employment to another, even in the same place. The exclusive privileges of corporations obstruct it from one place to another, even in the same employment.

It frequently happens that while high wages are given to the workmen in one manufacture, those in another are obliged to content themselves with bare subsistence. The one is in an advancing state, and has, therefore, a continual demand for new hands: the other is in a declining state, and the superabundance of hands is continually increasing. Those two manufactures may sometimes be in the same town, and sometimes in the same neighbourhood, without being able to lend the least assistance to one another. The statute of apprenticeship may oppose it in the one case, and both that and an exclusive corporation in the other. In many different manufactures, however, the operations are so much alike, that the workmen could easily change trades with one another, if those absurd laws did not hinder them. The arts of weaving plain linen and plain silk, for example, are almost entirely the same. That of weaving plain woollen is somewhat different; but the difference is so insignificant, that either a linen or a silk weaver might become a tolerable workman in a very few days. If any of those three capital manufactures, therefore, were decaying, the workmen might find a resource in one of the other two which was in a more prosperous condition, and their wages would neither rise too high in the thriving, nor sink too low in the decaying manufacture. The linen manufacture indeed is, in England, by a particular statute, open to every body; but as it is not much cultivated through the greater part of the country, it can afford no general resource to the workmen of other decaying manufactures, who, wherever the statute of apprenticeship takes place, have no other choice but either to come upon the parish, or to work as common labourers, for which, by their habits, they are much worse qualified than for any sort of manufacture that bears any resemblance to their own. They generally, therefore, choose to come upon the parish.

Whatever obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise; the quantity of stock which can be employed in any branch of business depending very much upon that of the labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is every where much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than for a poor artificer to obtain that of working in it.

The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know, peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs. It is the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour. It may be worth while to give some account of the rise, progress,

and present state of this disorder, the greatest, perhaps, of any in the police of England.

When by the destruction of monasteries the poor had been deprived of the charity of those religious houses, after some other ineffectual attempts for their relief, it was enacted by the 43d of Elizabeth, c. 2., that every parish should be bound to provide for its own poor; and that overseers of the poor should be annually appointed, who, with the churchwardens, should raise by a parish rate competent sums for this purpose.

By this statute, the necessity of providing for their own poor was indispensably imposed upon every parish. Who were to be considered as the poor of each parish, became, therefore, a question of some importance. This question, after some variation, was at last determined by the 13th and 14th of Charles II., when it was enacted, that forty days' undisturbed residence should gain any person a settlement in any parish; but that within that time it should be lawful for two justices of the peace, upon complaint made by the churchwardens or overseers of the poor, to remove any new inhabitant to the parish where he was last legally settled, unless he either rented a tenement of ten pounds a year, or could give such security for the discharge of the parish where he was then living, as those justices should judge sufficient.

Some frauds, it is said, were committed in consequence of this statute; parish officers sometimes bribing their own poor to go clandestinely to another parish, and by keeping themselves concealed for forty days to gain a settlement there, to the discharge of that to which they properly belonged. It was enacted, therefore, by the 1st of James II. that the forty days' undisturbed residence of any person necessary to gain a settlement, should be accounted only from the time of his delivering notice in writing, of the place of his abode and the number of his family, to one of the churchwardens or overseers of the parish where he came to dwell.

But parish officers, it seems, were not always more honest with regard to their own, than they had been with regard to other parishes, and sometimes connived at such intrusions, receiving the notice, and taking no proper steps in consequence of it. As every person in a parish, therefore, was supposed to have an interest to prevent as much as possible their being burdened by such intruders, it was further enacted by the 3d of William III. that the forty days' residence should be accounted only from the publication of such notice in writing on Sunday in the church, immediately after divine service.

"After all," says Doctor Burn, "this kind of settlement, by continuing forty days after publication of notice in writing, is very seldom obtained; and the design of the acts is not so much for gaining of settlements, as for the avoiding of them, by persons coming into a parish clandestinely: for the giving of notice is only putting a force upon the parish to remove. But if a person's situation is such, that it is doubtful whether he is actually removable or not, he shall by giving of notice compel the parish either to allow him a settlement uncontested, by suffering him to continue forty days; or, by removing him, to try the right."

This statute, therefore, rendered it almost impracticable for a poor man to gain a new settlement in the old way, by forty days' inhabitancy. But that it might not appear to preclude altogether the common people of one parish from ever establishing themselves with security in another, it appointed four other ways by which a settlement might be gained without any notice delivered or published. The first was, by being taxed to parish rates and paying them; the second, by being elected into an annual parish office, and serving in it a year; the third, by serving an apprenticeship in the parish; the fourth, by being hired into service there for a year, and continuing in the same service during the whole of it.

Nobody can gain a settlement by either of the two first ways, but by the public deed of the whole parish, who are too well aware of the consequences to adopt any new comer who has nothing but his labour to support him, either by taxing him to parish rates, or by electing him into a parish office.

No married man can well gain any settlement in either of the two last ways. An apprentice is scarce ever married; and it is expressly enacted, that no married servant shall gain any settlement by being hired for a year. The principal effect of introducing settlement by service, has been to put out in a great measure the old fashion of hiring for a year, which before had been so customary in England, that even at this day, if no particular term is agreed upon, the law intends that every servant is hired for a year. But masters are not always willing to give their servants a settlement by hiring them in this manner; and servants are not always willing to be so hired, because, as every last settlement discharges all the foregoing, they might thereby lose their original settlement in the places of their nativity, the habitation of their parents and relations.

No independent workman, it is evident, whether labourer or artificer, is likely to gain any new settlement either by apprenticeship or by service. When such a person, therefore, carried his industry to a new parish, he was liable to be removed, how healthy and industrious soever, at the caprice of any churchwarden or overseer, unless he either

rented a tenement of ten pounds a year, a thing impossible for one who has nothing but his labour to live by; or could give such security for the discharge of the parish as two justices of the peace should judge sufficient. What security they shall require, indeed, is left altogether to their discretion; but they cannot well require less than thirty pounds, it having been enacted, that the purchase even of a freehold estate of less than thirty pounds value, shall not gain any person a settlement, as not being sufficient for the discharge of the parish. But this is a security which scarce any man who lives by labour can give; and much greater security is frequently demanded.

In order to restore in some measure that free circulation of labour which those different statutes had almost entirely taken away, the invention of certificates was fallen upon. By the 8th and 9th of William III. it was enacted, that if any person should bring a certificate from the parish where he was last legally settled, subscribed by the churchwardens and overseers of the poor, and allowed by two justices of the peace, that every other parish should be obliged to receive him; that he should not be removable merely upon account of his being likely to become chargeable, but only upon his becoming actually chargeable, and that then the parish which granted the certificate should be obliged to pay the expense both of his maintenance and of his removal. And in order to give the more perfect security to the parish where such certificated man should come to reside, it was further enacted by the same statute, that he should gain no settlement there by any means whatever, except either by renting a tenement of ten pounds a year, or by serving upon his own account in an annual parish office for one whole year; and consequently neither by notice, nor by service, nor by apprenticeship, nor by paying parish rates. By the 12th of Queen Anne too, stat. 1. c. 18., it was further enacted, that neither the servants nor apprentices of such certificated man should gain any settlement in the parish where he resided under such certificate.

How far this invention has restored that free circulation of labour which the preceding statutes had almost entirely taken away, we may learn from the following very judicious observation of Doctor Burn. "It is obvious," says he, "that there are divers good reasons for requiring certificates with persons coming to settle in any place; namely, that persons residing under them can gain no settlement, neither by apprenticeship, nor by service, nor by giving notice, nor by paying parish rates; that they can settle neither apprentices nor servants; that if they become chargeable, it is certainly known whither to remove them, and the parish shall be paid for the removal, and for their maintenance in the mean time; and that if they fall sick, and cannot be removed, the parish which gave the certificate must maintain them; none of all which can be without a certificate. Which reasons will hold proportionably for parishes not granting certificates in ordinary cases; for it is far more than an equal chance, but that they will have the certificated persons again, and in a worse condition." The moral of this observation seems to be, that certificates ought always to be required by the parish where any poor man comes to reside, and that they ought very seldom to be granted by that which he proposes to leave. "There is somewhat of hardship in this matter of certificates," says the same very intelligent author in his History of the Poor Laws, "by putting it in the power of a parish officer to imprison a man as it were for life; however inconvenient it may be for him to continue at that place where he has had the misfortune to acquire what is called a settlement, or whatever advantage he may propose to himself by living elsewhere!"[1]

Though a certificate carries along with it no testimonial of good behaviour, and certifies nothing but that the person belongs to the parish to which he really does belong, it is altogether discretionary in the parish officers either to grant or to refuse it. A mandamus was once moved for, says Doctor Burn, to compel the churchwardens and overseers to sign a certificate, but the Court of King's Bench rejected the motion as a very strange attempt.

The very unequal price of labour which we frequently find in England in places at no great distance from one another, is probably owing to the obstruction which the law of settlements gives to a poor man who would carry his industry from one parish to another without a certificate. A single man, indeed, who is healthy and industrious, may sometimes reside by sufferance without one; but a man with a wife and family who should attempt to do so, would in most parishes be sure of being removed; and if the single man should afterwards marry, he would generally be removed likewise. The scarcity of hands in one parish, therefore, cannot always be relieved by their superabundance in another, as it is constantly in Scotland, and, I believe, in all other countries where there is no difficulty of settlement. In such countries, though wages may sometimes

[1] The act of William III., which obliged a poor man to procure a certificate before he could remove from a parish, was repealed in 1795; and it was at the same time declared that no poor persons should afterwards be removable from the parish or place which they inhabited, to the place of their last legal settlement, until they actually became chargeable.

rise a little in the neighbourhood of a great town, or wherever else there is an extraordinary demand for labour, and sink gradually as the distance from such places increases, till they fall back to the common rate of the country; yet we never meet with those sudden and unaccountable differences in the wages of neighbouring places which we sometimes find in England, where it is often more difficult for a poor man to pass the artificial boundary of a parish, than an arm of the sea or a ridge of high mountains, natural boundaries which sometimes separate very distinctly different rates of wages in other countries.

To remove a man who has committed no misdemeanour from the parish where he chooses to reside, is an evident violation of natural liberty and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries, never rightly understanding wherein it consists, have now for more than a century together suffered themselves to be exposed to this oppression without a remedy. Though men of reflection, too, have sometimes complained of the law of settlements as a public grievance, yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements.[1]

I shall conclude this long chapter with observing, that though anciently it was usual to rate wages, first by general laws extending over the whole kingdom, and afterwards by particular orders of the justices of peace in every particular county, both these practices have now gone entirely into disuse. "By the experience of above four hundred years," says Doctor Burn, "it seems time to lay aside all endeavours to bring under strict regulations what in its own nature seems incapable of minute limitation: for if all persons in the same kind of work were to receive equal wages, there would be no emulation, and no room left for industry or ingenuity."

Particular acts of Parliament, however, still attempt sometimes to regulate wages in particular trades and in particular places. Thus the 8th of George III. prohibits under heavy penalties, all master tailors in London, and five miles round it, from giving, and their workmen from accepting, more than two shillings and seven-pence halfpenny a day, except in the case of a general mourning. Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters. Thus the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable. It imposes no real hardship upon the masters; it only obliges them to pay that value in money, which they pretended to pay, but did not always really pay, in goods. This law is in favour of the workmen; but the 8th of George III. is in favour of the masters. When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them very severely; and if it dealt impartially, it would treat the masters in the same manner. But the 8th of George III. enforces by law that very regulation which masters sometimes attempt to establish by such combinations. The complaint of the workmen, that it puts the ablest and most industrious upon the same footing with an ordinary workman, seems perfectly well founded.[2]

In ancient times, too, it was usual to attempt to regulate the profits of merchants and other dealers, by rating the price both of provisions and other goods. The assize of bread is, so far as I know, the only remnant of this ancient usage. Where there is an exclusive corporation, it may, perhaps, be proper to regulate the price of the first necessary of life; but where there is none, the competition will regulate it much better than any assize. The method of fixing the assize of bread, established by the 31st of George II., could not be put in practice in Scotland, on account of a defect in the law; its execution depending upon the office of clerk of the market, which does not exist

[1] Dr. Smith has been accused of exaggerating the pernicious effects of the laws respecting settlements, and the charge is perhaps, to a certain extent, well founded. But notwithstanding the improvement effected in these laws by the act of 1795, abolishing certificates, and preventing the forcible removal of the poor until they actually become chargeable, they continued to give rise to a vast deal of litigation. The expenses of actions at law regarding settlements and removals, previously to the change in the poor laws in 1834, were seldom less than from £300,000 to £350,000 a year! So long indeed as a system of compulsory provision for the support of the poor exists, parishes will naturally be exceedingly averse from allowing a poor man to obtain a settlement, and will be disposed to throw every obstacle in his way.

[2] These, and all other laws for the regulation of wages, were repealed by the 5 Geo. IV. cap. 95.: masters and workmen may now enter into voluntary combinations for the purpose of depressing or raising wages.

there. This defect was not remedied till the 3d of George III. The want of an assize occasioned no sensible inconveniency, and the establishment of one, in the few places where it has yet taken place, has produced no sensible advantage. In the greater part of the towns of Scotland, however, there is an incorporation of bakers who claim exclusive privileges, though they are not very strictly guarded.[1]

The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed, by the riches or poverty, the advancing, stationary, or declining state of the society. Such revolutions in the public welfare, though they affect the general rates both of wages and profit, must in the end affect them equally in all different employments. The proportion between them, therefore, must remain the same, and cannot well be altered, at least for any considerable time, by any such revolutions.

CHAP. XI.

Of the Rent of Land.[2]

Rent, considered as the price paid for the use of land, is naturally the highest which the tenant can afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more. Whatever part of the produce, or, what is the same thing, whatever part of its price, is over and above this share, he naturally endeavours to reserve to himself as the rent of his land, which is evidently the highest the tenant can afford to pay in the actual circumstances of the land. Sometimes, indeed, the liberality, more frequently the ignorance, of the landlord, makes him accept of somewhat less than this portion; and sometimes too, though more rarely, the ignorance of the tenant makes him undertake to pay somewhat more, or to content himself with somewhat less than the ordinary profits of farming stock in the neighbourhood. This portion, however, may still be considered as the natural rent of land, or the rent for which it is naturally meant that land should for the most part be let.

The rent of land, it may be thought, is frequently no more than a reasonable profit or interest for the stock laid out by the landlord upon its improvement. This, no doubt, may be partly the case upon some occasions, for it can scarce ever be more than partly the case.[3] The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expense of improvement is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent as if they had been all made by his own.

He sometimes demands rent for what is altogether incapable of human improvement. Kelp is a species of sea-weed, which, when burnt, yields an alkaline salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high water mark, which are twice every day covered with the sea, and of which the produce, therefore, was

[1] The laws relating to the assize and price of bread in London and its environs, were repealed by a local act passed in 1815 (55 Geo. III. cap. 19.). And those relating to the assize and price of bread out of London, are now very rarely acted upon.

[2] The variety and interest of its details and disquisitions render this chapter well worthy of an attentive perusal; but, considered as an exposition of the nature, origin, and causes of rent, it is altogether defective. The fundamental position laid down by Dr. Smith, that there are certain species of produce that always yield rent, is contradicted by the widest and most comprehensive experience. Were such the case, rents would always exist, whereas they are uniformly unknown in the earlier stages of society. The truth is, that rent is entirely a consequence of the decreasing productiveness of the soils successively brought under cultivation as society advances, or rather of the decreasing productiveness of the capitals successively applied to them. It is never heard of in newly settled countries, such as New Holland, Illinois, or Indiana, nor in any country where none but the best of the good soils are cultivated. It only begins to appear when cultivation has been extended to inferior lands; and it increases according to the extent to which they are brought under tillage, and diminishes according as their culture is relinquished. Neither is it true, as is assumed in every part of the Wealth of Nations, that rent enters into and forms a constituent part of the cost or price of raw produce; for that is determined by the cost of producing that portion of the required supply that is raised under the most unfavourable circumstances, or by the agency of the capital last applied to the land; and it has been shown over and over again that neither this capital, nor its produce ever pays any rent. But the reader is referred for a full exposition of what appear to be the true doctrines with respect to rent, to the note on that subject at the end of the volume.

[3] The rent of land, properly so called, is the sum paid for the use of the *natural and inherent* powers of the soil, and is entirely distinct from the sum paid on account of buildings, roads, fences, or other improvements effected upon it. The latter is plainly the profit on, or return for, the capital laid out on the land. Practically these sums are uniformly almost confounded, as they have been in this instance by Dr. Smith, under the general term rent. But they are essentially distinct; and should be so considered in every inquiry of this sort.

never augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn fields.

The sea in the neighbourhood of the islands of Shetland is more than commonly abundant in fish, which make a great part of the subsistence of their inhabitants. But in order to profit by the produce of the water, they must have a habitation upon the neighbouring land. The rent of the landlord is in proportion, not to what the farmer can make by the land, but to what he can make both by the land and by the water. It is partly paid in sea-fish; and one of the very few instances in which rent makes a part of the price of that commodity, is to be found in that country.

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take; but to what the farmer can afford to give.

Such parts only of the produce of land can commonly be brought to market, of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand.

There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market; and there are others for which it either may or may not be such as to afford this greater price. The former must always afford a rent to the landlord — the latter sometimes may, and sometimes may not, according to different circumstances.

Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price; high or low rent is the effect of it.[1] It is because high or low wages and profit must be paid in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low, a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, or a low rent, or no rent at all.

The particular consideration, first, of those parts of the produce of land which always afford some rent; secondly, of those which sometimes may and sometimes may not afford rent; and thirdly, of the variations which, in the different periods of improvement, naturally take place, in the relative value of those two different sorts of rude produce, when compared both with one another and with manufactured commodities will divide this chapter into three parts.

PART I.

Of the Produce of Land which always affords Rent.

As men, like all other animals, naturally multiply in proportion to the means of their subsistence, food is always, more or less, in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it. The quantity of labour, indeed, which it can purchase, is not always equal to what it could maintain, if managed in the most economical manner, on account of the high wages which are sometimes given to labour. But it can always purchase such a quantity of labour as it can maintain, according to the rate at which that sort of labour is commonly maintained in the neighbourhood.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus, too, is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord.

The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock, but to afford some small rent to the landlord. The rent increases in proportion to the goodness of the pasture. The same extent of ground not only maintains a greater number of cattle, but as they are brought within a smaller compass, less labour becomes requisite to tend them, and to collect their produce. The landlord gains both ways; by the increase of the produce, and by the diminution of the labour which must be maintained out of it.

The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility. Land

[1] That high or low rent is the effect and not the cause of high or low price, is a true and most important principle.

[2] For some observations on this statement, see supplemental note on Rent.

in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country the rate of profits, as has already been shown, is generally higher than in the neighbourhood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive, circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces every body to have recourse to it for the sake of self-defence. It is not more than fifty years ago, that some of the counties in the neighbourhood of London petitioned the parliament against the extension of the turnpike roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time.

A corn field of moderate fertility produces a much greater quantity of food for man than the best pasture of equal extent. Though its cultivation requires much more labour, yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater. If a pound of butcher's meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus would everywhere be of greater value, and constitute a greater fund both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginnings of agriculture.

But the relative values of these two different species of food, bread and butcher's meat, are very different in the different periods of agriculture. In its rude beginnings, the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher's meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price. At Buenos Ayres, we are told by Ulloa, four reals (one-and-twenty pence halfpenny sterling), was, forty or fifty years ago, the ordinary price of an ox, chosen from a herd of two or three hundred. He says nothing of the price of bread, probably because he found nothing remarkable about it. An ox there, he says, costs little more than the labour of catching him. But corn can nowhere be raised without a great deal of labour; and in a country which lies upon the river Plate, at that time the direct road from Europe to the silver mines of Potosi, the money price of labour could not be very cheap. It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher's meat. The competition changes its direction, and the price of butcher's meat becomes greater than the price of bread

By the extension besides of cultivation, the unimproved wilds become insufficient to supply the demand for butcher's meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle. It is not more than a century ago that in many parts of the highlands of Scotland, butcher's meat was as cheap or cheaper than even bread made of oatmeal. The Union opened the market of England to the highland cattle. Their ordinary price is at present about three times greater than at the beginning of the century, and the rents of many highland estates have been tripled and quadrupled in the same time. In almost every part of Great Britain a pound of the best butcher's meat is, in the present times, generally worth more than two pounds of the best white bread; and in plentiful years it is sometimes worth three or four pounds.

It is thus that in the progress of improvement the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop; butcher's meat a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture; and if it was not compensated, part of what was in pasture would be brought back into corn.

This equality, however, between the rent and profit of grass and those of corn, of the land of which the immediate produce is food for cattle, and of that of which the immediate produce is food for men, must be understood to take place only through the greater part of the improved lands of a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

Thus in the neighbourhood of a great town the demand for milk and for forage to horses frequently contribute, together with the high price of butcher's meat, to raise the value of grass above what may be called its natural proportion to that of corn. This local advantage, it is evident, cannot be communicated to the lands at a distance.

Particular circumstances have sometimes rendered some countries so populous, that the whole territory, like the lands in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate; to feed tolerably well, the second; and to feed ill, the third. To plough, he ranked only in the fourth place of profit and advantage. Tillage, indeed, in that part of ancient Italy which lay in the neighbourhood of Rome, must have been very much discouraged by the distributions of corn which were frequently made to the people, either gratuitously, or at a very low price. This corn was brought from the conquered provinces, of which several, instead of taxes, were obliged to furnish a tenth part of their produce at a stated price, about sixpence a peck, to the republic. The low price at which this corn was distributed to the people, must necessarily have sunk the price of what could be brought to the Roman market from Latium, or the ancient territory of Rome, and must have discouraged its cultivation in that country.

In an open country too, of which the principal produce is corn, a well-inclosed piece of grass will frequently rent higher than any corn field in its neighbourhood. It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. It is likely to fall, if ever the neighbouring lands are completely inclosed. The present high rent of inclosed land in Scotland seems owing to the scarcity of inclosure, and will probably last no longer than that scarcity. The advantage of inclosure is greater for pasture than for corn. It saves the labour of guarding the cattle, which feed better too when they are not liable to be disturbed by their keeper or his dog.

But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture.

The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread. It seems accordingly to have done so; and there is some reason for believing that, at least in the London market, the price of butcher's meat, in proportion to the price of bread, is a good deal lower in the present times than it was in the beginning of the last century.

In the appendix to the life of prince Henry, Doctor Birch has given us an account of the prices of butcher's meat as commonly paid by that prince. It is there said, that the four quarters of an ox weighing six hundred pounds usually cost him nine pounds ten shillings, or thereabouts; that is, thirty-one shillings and eight-pence per hundred pounds weight. Prince Henry died on the 6th of November 1612, in the nineteenth year of his age.

In march 1764 there was a parliamentary inquiry into the causes of the high price of provisions at that time. It was then, among other proof to the same purpose, given in

evidence by a Virginia merchant, that in March 1763 he had victualled his ships for twenty-four or twenty-five shillings the hundred weight of beef, which he considered as the ordinary price; whereas, in that dear year, he had paid twenty-seven shillings for the same weight and sort. This high price in 1764 is, however, four shillings and eightpence cheaper than the ordinary price paid by prince Henry; and it is the best beef only, it must be observed, which is fit to be salted for those distant voyages.

The price paid by prince Henry amounts to 3¾*d.* per pound weight of the whole carcase, coarse and choice pieces taken together; and at that rate the choice pieces could not have been sold by retail for less than 4½*d.* or 5*d.* the pound.

In the parliamentary inquiry in 1764, the witnesses stated the price of the choice pieces of the best beef to be to the consumer 4*d.* and 4½*d.* the pound, and the coarse pieces in general to be from seven farthings to 2½*d.* and 2¾*d.*; and this they said was in general one halfpenny dearer than the same sort of pieces had usually been sold in the month of March. But even this high price is still a good deal cheaper than what we can well suppose the ordinary retail price to have been in the time of prince Henry.

During the twelve first years of the last century, the average price of the best wheat at the Windsor market was 1*l.* 18*s.* 3⅛*d.* the quarter, of nine Winchester bushels.

But in the twelve years preceding 1764, including that year, the average price of the same measure of the best wheat in the same market was 2*l.* 1*s.* 9½*d.*

In the twelve first years of the last century, therefore, wheat appears to have been a good deal cheaper, and butcher's meat a good deal dearer, than in the twelve years preceding 1764, including that year.

In all great countries the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce.

Those productions, indeed, which require either a greater original expense of improvement, or a greater annual expense of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit, than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expense.

In a hop garden, a fruit garden, a kitchen garden, both the rent of the landlord, and the profit of the farmer, are generally greater than in a corn or grass field. But to bring the ground into this condition requires more expense. Hence a greater rent becomes due to the landlord. It requires too a more attentive and skilful management. Hence a greater profit becomes due to the farmer. The crop, too, at least in the hop and fruit garden, is more precarious. Its price, therefore, besides compensating all occasional losses, must afford something like the profit of insurance. The circumstances of gardeners, generally mean, and always moderate, may satisfy us that their great ingenuity is not commonly overrecompensed. Their delightful art is practised by so many rich people for amusement, that little advantage is to be made by those who practise it for profit; because the persons who should naturally be their best customers, supply themselves with all their most precious productions.

The advantage which the landlord derives from such improvements seems at no time to have been greater than what was sufficient to compensate the original expense of making them. In the ancient husbandry, after the vineyard, a well-watered kitchen garden seems to have been the part of the farm which was supposed to yield the most valuable produce. But Democritus, who wrote upon husbandry about two thousand years ago, and who was regarded by the ancients as one of the fathers of the art, thought they did not act wisely who inclosed a kitchen garden. The profit, he said, would not compensate the expense of a stone wall; and bricks (he meant, I suppose, bricks baked in the sun) mouldered with the rain, and the winter storm, and required continual repairs. Columella, who reports this judgment of Democritus, does not controvert it; but proposes a very frugal method of enclosing with a hedge of brambles and briars which, he says, he had found by experience to be both a lasting and an impenetrable fence; but which, it seems, was not commonly known in the time of Democritus. Palladius adopts the opinion of Columella, which had before been recommended by Varro. In the judgment of those ancient improvers, the produce of a kitchen garden had, it seems, been little more than sufficient to pay the extraordinary culture and the expense of watering; for in countries so near the sun, it was thought proper, in those times as in the present, to have the command of a stream of water, which could be conducted to every bed in the garden. Through the greater part of Europe, a kitchen garden is not at present supposed to deserve a better enclosure than that recommended by Columella. In Great Britain, and some other northern countries, the finer fruits cannot be brought to perfection but

by the assistance of a wall. Their price, therefore, in such countries must be sufficient to pay the expense of building and maintaining what they cannot be had without. The fruit-wall frequently surrounds the kitchen garden, which thus enjoys the benefit of an inclosure which its own produce could seldom pay for.

That the vineyard, when properly planted and brought to perfection, was the most valuable part of the farm, seems to have been an undoubted maxim in the ancient agriculture, as it is the modern through all the wine countries. But whether it was advantageous to plant a new vineyard, was a matter of dispute among the ancient Italian husbandmen, as we learn from Columella. He decides, like a true lover of all curious cultivation, in favour of the vineyard, and endeavours to show, by a comparison of the profit and expense, that it was a most advantageous improvement. Such comparisons, however, between the profit and expense of new projects, are commonly very fallacious, and in nothing more so than in agriculture. Had the gain actually made by such plantations been commonly as great as he imagined it might have been, there could have been no dispute about it. The same point is frequently at this day a matter of controversy in the wine countries. Their writers on agriculture, indeed, the lovers and promoters of high cultivation, seem generally disposed to decide with Columella, in favour of the vineyard. In France the anxiety of the proprietors of the old vineyards to prevent the planting of any new ones, seems to favour their opinion, and to indicate a consciousness in those who must have the experience, that this species of cultivation is at present in that country more profitable than any other. It seems at the same time, however, to indicate another opinion, that this superior profit can last no longer than the laws which at present restrain the free cultivation of the vine. In 1731, they obtained an order of council, prohibiting both the planting of new vineyards, and the renewal of those old ones, of which the cultivation had been interrupted for two years, without a particular permission from the king, to be granted only in consequence of an information from the intendant of the province, certifying that he had examined the land, and that it was incapable of any other culture. The pretence of this order was the scarcity of corn and pasture, and the superabundance of wine. But had this superabundance been real, it would, without any order of council, have effectually prevented the plantation of new vineyards, by reducing the profits of this species of cultivation below their natural proportion to those of corn and pasture. With regard to the supposed scarcity of corn occasioned by the multiplication of vineyards, corn is nowhere in France more carefully cultivated than in the wine provinces, where the land is fit for producing it; as in Burgundy, Guienne, and the Upper Languedoc. The numerous hands employed in the one species of cultivation necessarily encourage the other, by affording a ready market for its produce. To diminish the number of those who are capable of paying for it, is surely a most unpromising expedient for encouraging the cultivation of corn. It is like the policy which would promote agriculture by discouraging manufactures.

The rent and profit of those productions, therefore, which require either a greater original expense of improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops.

It sometimes happens, indeed, that the quantity of land which can be fitted for some particular produce, is too small to supply the effectual demand. The whole produce can be disposed of to those who are willing to give somewhat more than what is sufficient to pay the whole rent, wages, and profit necessary for raising and bringing it to market according to their natural rates, or according to the rates at which they are paid in the greater part of other cultivated land. The surplus part of the price which remains after defraying the whole expense of improvement and cultivation may commonly, in this case, and in this case only, bear no regular proportion to the like surplus in corn or pasture, but may exceed it in almost any degree; and the greater part of this excess naturally goes to the rent of the landlord.

The usual and natural proportion, for example, between the rent and profit of wine and those of corn and pasture, must be understood to take place only with regard to those vineyards which produce nothing but good common wine, such as can be raised almost any where, upon any light, gravelly, or sandy soil, and which has nothing to recommend it but its strength and wholesomeness. It is with such vineyards only that the common land of the country can be brought into competition; for with those of a peculiar quality it is evident that it cannot.

The vine is more affected by the difference of soils than any other fruit tree. From some it derives a flavour which no culture or management can equal, it is supposed, upon any other. This flavour, real or imaginary, is sometimes peculiar to the produce of a few vineyards; sometimes it extends through the greater part of a small district, and sometimes through a considerable part of a large province. The whole quantity of such wines

that is brought to market falls short of the effectual demand, or the demand of those who would be willing to pay the whole rent, profit and wages necessary for preparing and bringing them thither, according to the ordinary rate, or according to the rate at which they are paid in common vineyards. The whole quantity, therefore, can be disposed of to those who are willing to pay more, which necessarily raises the price above that of common wine. The difference is greater or less, according as the fashionableness and scarcity of the wine render the competition of the buyers more or less eager. Whatever it be, the greater part of it goes to the rent of the landlord.[1] For though such vineyards are in general more carefully cultivated than most others, the high price of the wine seems to be, not so much the effect, as the cause of this careful cultivation. In so valuable a produce the loss occasioned by negligence is so great as to force even the most careless to attention. A small part of this high price, therefore, is sufficient to pay the wages of the extraordinary labour bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labour into motion.

The sugar colonies, possessed by the European nations in the West Indies, may be compared to those precious vineyards. The whole produce falls short of the effectual demand of Europe, and can be disposed of to those who are willing to give more than what is sufficient to pay the whole rent, profit, and wages necessary for preparing and bringing it to market, according to the rate at which they are commonly paid by any other produce. In Cochin-china the finest white sugar commonly sells for three piastres the quintal, about thirteen shillings and sixpence of our money, as we are told by Mr. Poivre[1], a very careful observer of the agriculture of that country. What is there called the quintal weighs from a hundred and fifty to two hundred Paris pounds, or a hundred and seventy-five Paris pounds at a medium, which reduces the price of the hundred weight English to about eight shillings sterling; not a fourth part of what is commonly paid for the brown or muskavada sugars imported from our colonies, and not a sixth part of what is paid for the finest white sugar. The greater part of the cultivated lands in Cochin-china are employed in producing corn and rice, the food of the great body of the people. The respective prices of corn, rice, and sugar, are there probably in the natural proportion, or in that which naturally takes place in the different crops of the greater part of cultivated land, and which recompenses the landlord and farmer, as nearly as can be computed, according to what is usually the original expense of improvement and the annual expense of cultivation. But in our sugar colonies the price of sugar bears no such proportion to that of the produce of a rice or corn field either in Europe or in America. It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expense of his cultivation, and that his sugar should be all clear profit.[2] If this be true, for I pretend not to affirm it, it is as if a corn farmer expected to defray the expense of his cultivation with the chaff and the straw, and that the grain should be all clear profit. We see frequently societies of merchants in London and other trading towns, purchase waste lands in our sugar colonies, which they expect to improve and cultivate with profit by means of factors and agents; notwithstanding the great distance and the uncertain returns, from the defective administration of justice in those countries. Nobody will attempt to improve and cultivate in the same manner the most fertile lands of Scotland, Ireland, or the corn provinces of North America; though from the more exact administration of justice in these countries, more regular returns might be expected.

In Virginia and Maryland the cultivation of tobacco is preferred, as more profitable, to that of corn. Tobacco might be cultivated with advantage through the greater part of Europe; but in almost every part of Europe it has become a principal subject of taxation; and to collect a tax from every different farm in the country where this plant might happen to be cultivated, would be more difficult, it has been supposed, than to levy one upon its importation at the custom house. The cultivation of tobacco has, upon this account, been most absurdly prohibited through the greater part of Europe, which necessarily gives a sort of monopoly to the countries where it is allowed: and as Virginia and Maryland produce the greatest quantity of it, they share largely, though with some competitors, in the advantage of this monopoly. The cultivation of tobacco, however, seems not to be so advantageous as that of sugar. I have never even heard of any tobacco plantation that was improved and cultivated by the capital of merchants who resided in Great Britain; and our tobacco colonies send us home no such wealthy planters as we see frequently arrive from our sugar islands. Though from

[1] Voyages d'un Philosophe.

[2] The statements in the text, with respect to the profits of the sugar planters, were most probably greatly exaggerated at the period when Dr. Smith wrote, and have long been altogether inapplicable. Instead of being exceedingly profitable, the business of a sugar planter has been, during the last thirty years generally very much the reverse. Cultivation has been too far extended; and the quantity of produce brought to market has been so great as frequently to reduce the price to little more than the sum required to defray the expenses of cultivation and the duty

the preference given in those colonies to the cultivation of tobacco above that of corn, it would appear, that the effectual demand of Europe for tobacco is not completely supplied, it probably is more nearly so than that for sugar; and though the present price of tobacco is, probably, more than sufficient to pay the whole rent, wages and profit necessary for preparing and bringing it to market, according to the rate at which they are commonly paid in corn land; it must not be so much more as the present price of sugar. Our tobacco planters, accordingly, have shown the same fear of the superabundance of tobacco, which the proprietors of the old vineyards in France have of the superabundance of wine. By act of assembly they have restrained its cultivation to six thousand plants, supposed to yield a thousand weight of tobacco, for every negro between sixteen and sixty years of age. Such a negro, over and above this quantity of tobacco, can manage, they reckon, four acres of Indian corn. To prevent the market from being overstocked, too, they have sometimes, in plentiful years, we are told by Dr. Douglas [1], (I suspect he has been ill informed) burnt a certain quantity of tobacco for every negro, in the same manner as the Dutch are said to do of spices. If such violent methods are necessary to keep up the present price of tobacco, the superior advantage of its culture over that of corn, if it still has any, will not, probably, be of long continuance.

It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land. No particular produce can long afford less, because the land would immediately be turned to another use: and if any particular produce commonly affords more, it is because the quantity of land which can be fitted for it is too small to supply the effectual demand.

In Europe corn is the principal produce of land, which serves immediately for human food. Except in particular situations, therefore, the rent of corn land regulates in Europe that of all other cultivated land. Britain need envy neither the vineyards of France nor the olive plantations of Italy. Except in particular situations, the value of these is regulated by that of corn, in which the fertility of Britain is not much inferior to that of either of those two countries.

If in any country the common and favourite vegetable food of the people should be drawn from a plant of which the most common land, with the same or nearly the same culture, produced a much greater quantity than the most fertile does of corn, the rent of the landlord, or the surplus quantity of food which would remain to him, after paying the labour and replacing the stock of the farmer together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this greater surplus could always maintain a greater quantity of it, and consequently enable the landlord to purchase or command a greater quantity of it. The real value of his rent, his real power and authority, his command of the necessaries and conveniencies of life with which the labour of other people could supply him, would necessarily be much greater.

A rice field produces a much greater quantity of food than the most fertile corn field. Two crops in the year from thirty to sixty bushels each, are said to be the ordinary produce of an acre. Though its cultivation, therefore, requires more labour, a much greater surplus remains after maintaining all that labour. In those rice countries, therefore, where rice is the common and favourite vegetable food of the people, and where the cultivators are chiefly maintained with it, a greater share of this greater surplus should belong to the landlord than in corn countries.[2] In Carolina, where the planters, as in other British colonies, are generally both farmers and landlords, and where rent consequently is confounded with profit, the cultivation of rice is found to be more profitable than that of corn, though their fields produce only one crop in the year, and though, from the prevalence of the customs of Europe, rice is not there the common and favourite vegetable food of the people.

A good rice field is a bog at all seasons, and at one season a bog covered with water. It is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men: and the lands which are fit for those purposes, are not fit for rice. Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce.

The food produced by a field of potatoes is not inferior in quantity to that produced by a field of rice, and much superior to what is produced by a field of wheat. Twelve thousand weight of potatoes from an acre of land is not a greater produce than two thousand weight of wheat. The food or solid nourishment, indeed, which can be drawn

[1] Douglas's Summary, vol. ii. p. 372, 373.

[2] In point of fact, however, no portion of this surplus will go to the landlord, unless the rice fields under cultivation be of different productive powers. The best lands in Indiana are probably as fertile as the best lands in East Lothian, and yet they yield no surplus in the shape of rent to the proprietor; nor will they ever yield any, unless inferior lands be taken into tillage.

from each of those two plants, is not altogether in proportion to their weight, on account of the watery nature of potatoes. Allowing, however, half the weight of this root to go to water, a very large allowance, such an acre of potatoes will still produce six thousand weight of solid nourishment, three times the quantity produced by the acre of wheat. An acre of potatoes is cultivated with less expense than an acre of wheat; the fallow, which generally precedes the sowing of wheat, more than compensating the hoeing and other extraordinary culture which is always given to potatoes. Should this root ever become in any part of Europe, like rice in some rice countries, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much greater number of people; and the labourers being generally fed with potatoes, a greater surplus would remain, after replacing all the stock, and maintaining all the labour employed in cultivation. A greater share of this surplus, too, would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present.

The land which is fit for potatoes, is fit for almost every other useful vegetable. If they occupied the same proportion of cultivated land which corn does at present, they would regulate in the same manner the rent of the greater part of other cultivated land.

In some parts of Lancashire, it is pretended, I have been told, that bread of oatmeal is a heartier food for labouring people than wheaten bread; and I have frequently heard the same doctrine held in Scotland. I am, however, somewhat doubtful of the truth of it. The common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same rank of people in England, who are fed with wheaten bread. They neither work so well nor look so well; and as there is not the same difference between the people of fashion in the two countries, experience would seem to show that the food of the common people in Scotland is not so suitable to the human constitution as that of their neighbours of the same rank in England; but it seems to be otherwise with potatoes. The chairmen, porters, and coalheavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. No food can afford a more decisive proof of its nourishing quality, or of its being peculiarly suitable to the health of the human constitution.

It is difficult to preserve potatoes through the year, and impossible to store them like corn, for two or three years together. The fear of not being able to sell them before they rot, discourages their cultivation, and is, perhaps, the chief obstacle to their ever becoming in any great country, like bread, the principal vegetable food of all the different ranks of the people.[1]

Part II.

Of the Produce of Land which sometimes does, and sometimes does not, afford Rent.

Human food seems to be the only produce of land which always and necessarily affords some rent to the landlord. Other sorts of produce sometimes may and sometimes may not, according to different circumstances.

After food, clothing and lodging are the two great wants of mankind.

Land in its original rude state can afford the materials of clothing and lodging to a much greater number of people than it can feed. In its improved state it can sometimes feed a greater number of people than it can supply with those materials; at least in the way in which they require them, and are willing to pay for them. In the one state, therefore, there is always a superabundance of those materials, which are frequently, upon that account, of little or no value. In the other there is often a scarcity, which necessarily augments their value. In the oue state a great part of them is thrown away as useless, and the price of what is used is considered as equal only to the labour and expense of fitting it for use, and can, therefore, afford no rent to the landlord. In the other they are all made use of, and there is frequently a demand for more than can be had. Somebody is always willing to give more for every part of them than what is sufficient to pay the expense of bringing them to market. Their price, therefore, can always afford some rent to the landlord.

The skins of the larger animals were the original materials of clothing. Among nations of hunters and shepherds, therefore, whose food consists chiefly in the flesh of those animals, every man, by providing himself with food, provides himself with the materials of more clothing than he can wear. If there was no foreign commerce, the greater part of them would be thrown away as things of no value. This was probably the case among the hunting nations of North America, before their country was discovered by

[1] The inquiry with respect to the profitable effect of substituting the potato for corn in the food of the lower classes, is one of great importance. See some observations on this subject in the note on the Use of the Potato as an Article of Food at the end of the volume.

the Europeans, with whom they now exchange their surplus peltry, for blankets, fire-arms, and brandy, which gives it some value. In the present commercial state of the known world, the most barbarous nations I believe, among whom land property is established, have some foreign commerce of this kind, and find among their wealthier neighbours such a demand for all the materials of clothing, which their land produces, and which can neither be wrought up nor consumed at home, as raises their price above what it costs to send them to those wealthier neighbours. It affords, therefore, some rent to the landlord. When the greater part of the highland cattle were consumed on their own hills, the exportation of their hides made the most considerable article of the commerce of that country, and what they were exchanged for afforded some addition to the rent of the highland estates. The wool of England, which in old times could neither be consumed nor wrought up at home, found a market in the then wealthier and more industrious country of Flanders, and its price afforded something to the rent of the land which produced it. In countries not better cultivated than England was then, or than the highlands of Scotland are now, and which had no foreign commerce, the materials of clothing would evidently be so superabundant, that a great part of them would be thrown away as useless, and no part could afford any rent to the landlord.

The materials of lodging cannot always be transported to so great a distance as those of clothing, and do not so readily become an object of foreign commerce. When they are superabundant in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of no value to the landlord. A good stone quarry in the neighbourhood of London would afford a considerable rent. In many parts of Scotland and Wales it affords none. Barren timber for building is of great value in a populous and well-cultivated country, and the land which produces it affords a considerable rent. But in many parts of North America the landlord would be much obliged to any body who would carry away the greater part of his large trees. In some parts of the highlands of Scotland the bark is the only part of the wood which, for want of roads and water-carriage, can be sent to market. The timber is left to rot upon the ground. When the materials of lodging are so superabundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The demand of wealthier nations, however, sometimes enables him to get a rent for it. The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors.

Countries are populous, not in proportion to the number of people whom their produce can clothe and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions what is called a house, may be built by one day's labour of one man. The simplest species of clothing, the skins of animals, require somewhat more labour to dress and prepare them for use. They do not, however, require a great deal. Among savage and barbarous nations, a hundredth or little more than a hundredth part of the labour of the whole year, will be sufficient to provide them with such clothing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food.

But when by the improvement and cultivation of land, the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole. The other half, therefore, or at least the greater part of them, can be employed in providing other things, or in satisfying the other wants and fancies of mankind. Clothing and lodging, household furniture, and what is called equipage, are the principal objects of the greater part of those wants and fancies. The rich man consumes no more food than his poor neighbour. In quality it may be very different, and to select and prepare it may require more labour and art; but in quantity it is very nearly the same. But compare the spacious palace and great wardrobe of the one with the hovel and the few rags of the other, and you will be sensible that the difference between their clothing, lodging, and household furniture, is almost as great in quantity as it is in quality. The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniencies and ornaments of building, dress, equipage, and household furniture, seems to have no limit or certain boundary. Those, therefore, who have the command of more food than they themselves can consume, are always willing to exchange the surplus, or, what is the same thing, the price of it, for gratifications of this other kind. What is over and above satisfying the limited desire, is given for the amusement

of those desires which cannot be satisfied, but seem to be altogether endless. The poor, in order to obtain food, exert themselves to gratify those fancies of the rich; and to obtain it more certainly, they vie with one another in the cheapness and perfection of their work. The number of workmen increases with the increasing quantity of food, or with the growing improvement and cultivation of the lands; and as the nature of their business admits of the utmost subdivision of labour, the quantity of materials which they can work up, increases in a much greater proportion than their numbers. Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth, the precious metals, and the precious stones.

Food is in this manner not only the original source of rent, but every other part of the produce of land which afterwards affords rent, derives that part of its value from the improvement of the powers of labour in producing food by means of the improvement and cultivation of land.

Those other parts of the produce of land, however, which afterwards afford rent, do not afford it always. Even in improved and cultivated countries, the demand for them is not always such as to afford a greater price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market. Whether it is or is not such, depends upon different circumstances.

Whether a coal mine, for example, can afford any rent, depends partly upon its fertility, and partly upon its situation.

A mine of any kind may be said to be either fertile or barren, according as the quantity of mineral which can be brought from it by a certain quantity of labour, is greater or less than what can be brought by an equal quantity from the greater part of other mines of the same kind.

Some coal mines, advantageously situated, cannot be wrought on account of their barrenness. The produce does not pay the expense. They can afford neither profit nor rent.

There are some of which the produce is barely sufficient to pay the labour, and replace, together with its ordinary profits, the stock employed in working them. They afford some profit to the undertaker of the work, but no rent to the landlord. They can be wrought advantageously by nobody but the landlord, who being himself undertaker of the work, gets the ordinary profit of the capital which he employs in it. Many coal mines in Scotland are wrought in this manner, and can be wrought in no other. The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any.

Other coal mines in the same country, sufficiently fertile, cannot be wrought on account of their situation. A quantity of mineral sufficient to defray the expense of working, could be brought from the mine by the ordinary, or even less than the ordinary quantity of labour: but in an inland country, thinly inhabited, and without either good roads or water-carriage, this quantity could not be sold.

Coals are a less agreeable fuel than wood: they are said to be less wholesome. The expense of coals, therefore, at the place where they are consumed, must generally be somewhat less than that of wood.

The price of wood again varies with the state of agriculture, nearly in the same manner, and exactly for the same reason, as the price of cattle. In its rude beginnings the greater part of every country is covered with wood, which is then a mere incumbrance, of no value to the landlord, who would gladly give it to any body for the cutting. As agriculture advances, the woods are partly cleared by the progress of tillage, and partly go to decay in consequence of the increased number of cattle. These, though they do not increase in the same proportion as corn, which is altogether the acquisition of human industry, yet multiply under the care and protection of men, who store up in the season of plenty what may maintain them in that of scarcity; who through the whole year furnish them with a greater quantity of food than uncultivated nature provides for them; and who by destroying and extirpating their enemies, secure them in the free enjoyment of all that she provides. Numerous herds of cattle, when allowed to wander through the woods, though they do not destroy the old trees, hinder any young ones from coming up, so that in the course of a century or two the whole forest goes to ruin. The scarcity of wood then raises its price. It affords a good rent; and the landlord sometimes finds that he can scarce employ his best lands more advantageously than in growing barren timber, of which the greatness of the profit often compensates the lateness of the returns. This seems in the present times to be nearly the state of things in several parts of Great Britain, where the profit of planting is found to be equal to that of either of corn or pasture. The advantage which the landlord derives from planting, can nowhere exceed, at least for any considerable time, the rent which these could afford him; and in an inland country which is highly cultivated, it will frequently not fall much short of this rent. Upon the sea-coast of a well-improved coun-

try, indeed, if coals can conveniently be had for fuel, it may sometimes be cheaper to bring barren timber for building from less cultivated foreign countries, than to raise it at home. In the new town of Edinburgh, built within these few years, there is not, perhaps, a single stick of Scotch timber.

Whatever may be the price of wood, if that of coals is such that the expense of a coal fire is nearly equal to that of a wood one, we may be assured, that at that place, and in these circumstances, the price of coals is as high as it can be. It seems to be so in some of the inland parts of England, particularly in Oxfordshire, where it is usual, even in the fires of the common people, to mix coals and wood together, and where the difference in the expense of those two sorts of fuel cannot, therefore, be very great.

Coals, in the coal countries, are everywhere much below this highest price. If they were not, they could not bear the expense of a distant carriage, either by land or by water. A small quantity only could be sold; and the coal masters and coal proprietors find it more for their interest to sell a great quantity at a price somewhat above the lowest, than a small quantity at the highest. The most fertile coal mine, too, regulates the price of coals at all the other mines in its neighbourhood.[1] Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether both their rent and their profit. Some works are abandoned altogether; others can afford no rent, and can be wrought only by the proprietor.

The lowest price at which coals can be sold for any considerable time, is, like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a coal mine for which the landlord can get no rent, but which he must either work himself or let it alone altogether, the price of coals must generally be nearly about this price.

Rent, even where coals afford one, has generally a smaller share in their price than in that of most other parts of the rude produce of land. The rent of an estate above ground, commonly amounts to what is supposed to be a third of the gross produce; and it is generally a rent certain, and independent of the occasional variations in the crop. In coal mines a fifth of the gross produce is a very great rent; a tenth the common rent: and it is seldom a rent certain, but depends upon the occasional variations in the produce. These are so great, that in a country where thirty years' purchase is considered as a moderate price for the property of a landed estate, ten years' purchase is regarded as a good price for that of a coal mine.

The value of a coal mine to the proprietor frequently depends as much upon its situation as upon its fertility. That of a metallic mine depends more upon its fertility and less upon its situation. The coarse, and still more the precious metals, when separated from the ore, are so valuable that they can generally bear the expense of a very long land, and of the most distant sea carriage. Their market is not confined to the countries in the neighbourhood of the mine, but extends to the whole world. The copper of Japan makes an article of commerce in Europe; the iron of Spain in that of Chili and Peru. The silver of Peru finds its way, not only to Europe, but from Europe to China.

The price of coals in Westmoreland or Shropshire can have little effect on their price at Newcastle; and their price in the Lionnois can have none at all. The productions of such distant coal mines can never be brought into competition with one another. But the productions of the most distant metallic mines frequently may, and in fact commonly are. The price, therefore, of the coarse, and still more that of the precious metals, at the most fertile mines in the world, must necessarily more or less affect their price at every other in it. The price of copper in Japan must have some influence upon its price at the copper mines in Europe. The price of silver in Peru, or the quantity either of labour or of other goods which it will purchase there, must have some influence on its price, not only at the silver mines of Europe, but at those of China. After the discovery of the mines of Peru, the silver mines of Europe were, the greater part of them, abandoned. The value of silver was so much reduced that their produce could no longer pay the expense of working them, or replace, with a profit, the food, clothes, lodging, and other necessaries which were consumed in that operation.

[1] This is an error. The price of the coal extracted from the least fertile mine which it is necessary to work, in order to supply the demand, will determine the price of the coal extracted from all the other mines: for if, on the one hand, the coal extracted from the poorest mine did not sell at a price sufficient to defray the cost of its production with a reasonable profit to the undertakers, it would not be brought to market, and the required supply would no longer be obtained; while if, on the other hand, it were to sell for more than this, additional capital would be employed in working it and other mines, until the price of coal had sunk, in consequence of the increase of its quantity, to the price necessary to yield the common and average rate of profit, and no more, to the owners of the mine in question.

This was the case, too, with the mines of Cuba and St. Domingo, and even with the ancient mines of Peru, after the discovery of those of Potosi.

The price of every metal at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, it can at the greater part of mines do very little more than pay the expense of working, and can seldom afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still smaller in that of the precious metals. Labour and profit make up the greater part of both.

A sixth of the gross produce may be reckoned the average rent of the tin mines of Cornwall, the most fertile that are known in the world, as we are told by the reverend Mr. Borlace, vice-warden of the stannaries. Some, he says, afford more, and some do not afford so much. A sixth part of the gross produce is the rent too of several very fertile lead mines in Scotland.

In the silver mines of Peru, we are told by Frezier and Ulloa, the proprietor frequently exacts no other acknowledgment from the undertaker of the mine, but that he will grind the ore at his mill, paying him the ordinary mulcture or price of grinding. Till 1736, indeed, the tax of the king of Spain amounted to one-fifth of the standard silver, which till then might be considered as the real rent of the greater part of the silver mines of Peru, the richest which have been known in the world. If there had been no tax this fifth would naturally have belonged to the landlord, and many mines might have been wrought which could not then be wrought, because they could not afford this tax. The tax of the duke of Cornwall upon tin is supposed to amount to more than five per cent. or one-twentieth part of the value; and whatever may be his proportion, it would naturally too belong to the proprietor of the mine, if tin was duty free. But if you add one-twentieth to one-sixth, you will find that the whole average rent of the tin mines of Cornwall, was to the whole average rent of the silver mines of Peru, as thirteen to twelve. But the silver mines of Peru are not now able to pay even this low rent, and the tax upon silver was, in 1736, reduced from one-fifth to one-tenth. Even this tax upon silver too gives more temptation to smuggling than the tax of one-twentieth upon tin; and smuggling must be much easier in the precious than in the bulky commodity. The tax of the king of Spain accordingly is said to be very ill paid, and that of the duke of Cornwall very well. Rent, therefore, it is probable, makes a greater part of the price of tin at the most fertile tin mines, than it does of silver at the most fertile silver mines in the world. After replacing the stock employed in working those different mines, together with its ordinary profits, the residue which remains to the proprietor, is greater it seems in the coarse than in the precious metal.

Neither are the profits of the undertakers of silver mines commonly very great in Peru. The same most respectable and well-informed authors acquaint us, that when any person undertakes to work a new mine in Peru, he is universally looked upon as a man destined to bankruptcy and ruin; and is upon that account shunned and avoided by every body. Mining, it seems, is considered there in the same light as here, as a lottery, in which the prizes do not compensate the blanks, though the greatness of some tempts many adventurers to throw away their fortunes in such unprosperous projects.[1]

As the sovereign, however, derives a considerable part of his revenue from the produce of silver mines, the law in Peru gives every possible encouragement to the discovery and working of new ones. Whoever discovers a new mine, is entitled to measure off two hundred and forty-six feet in length, according to what he supposes to be the direction of the vein, and half as much in breadth. He becomes proprietor of this portion of the mine, and can work it without paying any acknowledgment to the landlord. The interest of the duke of Cornwall has given occasion to a regulation nearly of the same kind in that ancient duchy. In waste and uninclosed lands any person who discovers a tin mine,

[1] In Mexico, previously to the revolutionary war, speculators in mines were usually persons of fortune and distinction, who could afford to make large advances from their own funds for carrying on their works; and the business of mining is stated to have been considered, when under such management, as safe as either manufactures or commerce. But in Peru, to which Smith's observations particularly apply, speculators in mines were of a very different class; being commonly persons in necessitous circumstances, whose capital was all borrowed at an exorbitant interest, and who were, in fact, almost entirely at the mercy of their creditors and the bullion merchants. Neither prudence nor economy could be expected from individuals placed under such unfavourable circumstances: and the great majority of them are described as having been at once dishonest, poor, and prodigal. (See details extracted from the *Mercurio Peruano*, a periodical paper published at Lima from 1791 to 1794, in the Edinburgh Review, vol. ix. p. 444.)

The associations formed in this country during 1824 and 1825 for carrying on the business of mining in America have been very unsuccessful and have indeed been mostly abandoned. This however is only what might have been anticipated from the outset. The greater number were set on foot, without any accurate information having been previously obtained with respect to the actual state of the mines, the merits and defects of the modes in which they had been wrought, or the susceptibilities they possessed for the advantageous introduction of the machinery and processes made use of in Europe. A vast loss has in consequence been incurred; and it seems to be in the last degree problematical whether any considerable portion of it will ever be repaid.

may mark out its limits to a certain extent, which is called bounding a mine. The bounder becomes the real proprietor of the mine, and may either work it himself, or give it in lease to another, without the consent of the owner of the land, to whom, however, a very small acknowledgment must be paid upon working it. In both regulations the sacred rights of private property are sacrificed to the supposed interests of public revenue.

The same encouragement is given in Peru to the discovery and working of new gold mines; and in gold the king's tax amounts only to a twentieth part of the standard metal. It was once a fifth, and afterwards a tenth, as in silver; but it was found that the work could not bear even the lowest of these two taxes. If it is rare, however, say the same authors, Frezier and Ulloa, to find a person who has made his fortune by a silver, it is still much rarer to find one who has done so by a gold mine. This twentieth part seems to be the whole rent which is paid by the greater part of the gold mines in Chili and Peru. Gold too is much more liable to be smuggled than even silver; not only on account of the superior value of the metal in proportion to its bulk, but on account of the peculiar way in which nature produces it. Silver is very seldom found virgin, but, like most other metals is generally mineralized with some other body, from which it is impossible to separate it in such quantities as will pay for the expense, but by a very laborious and tedious operation, which cannot well be carried on but in workhouses erected for the purpose, and therefore exposed to the inspection of the king's officers. Gold, on the contrary, is almost always found virgin. It is sometimes found in pieces of some bulk; and even when mixed in small and almost insensible particles with sand, earth, and other extraneous bodies, it can be separated from them by a very short and simple operation, which can be carried on in any private house by any body who is possessed of a small quantity of mercury. If the king's tax, therefore, is but ill paid upon silver, it is likely to be much worse paid upon gold; and rent must make a much smaller part of the price of gold, than even of that of silver.

The lowest price at which the precious metals can be sold, or the smallest quantity of other goods for which they can be exchanged during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes, and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits.

Their highest price, however, seems not to be necessarily determined by any thing but the actual scarcity or plenty of those metals themselves. It is not determined by that of any other commodity, in the same manner as the price of coals is by that of wood, beyond which no scarcity can ever raise it. Increase the scarcity of gold to a certain degree, and the smallest bit of it may become more precious than a diamond, and exchange for a greater quantity of other goods.

The demand for those metals arises partly from their utility, and partly from their beauty. If you except iron, they are more useful than, perhaps, any other metal. As they are less liable to rust and impurity, they can more easily be kept clean; and the utensils either of the table or the kitchen are often upon that account more agreeable when made of them. A silver boiler is more cleanly than a lead, copper, or tin one; and the same quality would render a gold boiler still better than a silver one. Their principal merit, however, arises from their beauty, which renders them peculiarly fit for the ornaments of dress and furniture. No paint or dye can give so splendid a colour as gilding. The merit of their beauty is greatly enhanced by their scarcity. With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eye is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves. In their eyes the merit of an object which is in any degree either useful or beautiful, is greatly enhanced by its scarcity, or by the great labour which it requires to collect any considerable quantity of it, a labour which nobody can afford to pay but themselves. Such objects they are willing to purchase at a higher price than things much more beautiful and useful, but more common. These qualities of utility, beauty, and scarcity, are the original foundation of the high price of those metals, or of the great quantity of other goods for which they can everywhere be exchanged. This value was antecedent to and independent of their being employed as coin, and was the quality which fitted them for that employment. That employment, however, by occasioning a new demand, and by diminishing the quantity which could be employed in any other way, may have afterwards contributed to keep up or increase their value.

The demand for the precious stones arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine. Wages and profit, accordingly, make up, upon most occasions, almost the whole of their high price.

Rent comes in but for a very small share; frequently for no share; and the most fertile mines only afford any considerable rent. When Tavernier, a jeweller, visited the diamond mines of Golconda and Visiapour, he was informed that the sovereign of the country, for whose benefit they were wrought, had ordered all of them to be shut up, except those which yield the largest and finest stones. The others, it seems, were to the proprietor not worth the working.

As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its absolute, but to what may be called its relative fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working. Before the discovery of the Spanish West Indies, the most fertile mines in Europe may have afforded as great a rent to their proprietor as the richest mines in Peru do at present. Though the quantity of silver was much less, it might have exchanged for an equal quantity of other goods, and the proprietor's share might have enabled him to purchase or command an equal quantity either of labour or commodities. The value both of the produce and of the rent, the real revenue which they afforded both to the public and to the proprietor, might have been the same.

The most abundant mines, either of the precious metals or of the precious stones, could add little to the wealth of the world. A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance. A service of plate, and the other frivolous ornaments of dress and furniture, could be purchased for a smaller quantity of labour, or for a smaller quantity of commodities; and in this would consist the sole advantage which the world could derive from that abundance.

It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their absolute, and not to their relative fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and whatever may be the proportion of the landlord, it will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him. The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands afford a market to many parts of the produce of the barren, which they could never have found among those whom their own produce could maintain.

Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed, but contributes likewise to increase that of many other lands, by creating a new demand for their produce. That abundance of food, of which, in consequence of the improvement of land, many people have the disposal beyond what they themselves can consume, is the great cause of the demand both for the precious metals and the precious stones, as well as for every other conveniency and ornament of dress, lodging, household furniture, and equipage. Food not only constitutes the principal part of the riches of the world, but it is the abundance of food which gives the principal part of their value to many other sorts of riches. The poor inhabitants of Cuba and St. Domingo, when they were first discovered by the Spaniards, used to wear little bits of gold, as ornaments, in their hair, and other parts of their dress. They seemed to value them as we would do any little pebbles of somewhat more than ordinary beauty, and to consider them as just worth the picking up, but not worth the refusing to any body who asked them. They gave them to their new guests at the first request, without seeming to think that they had made them any very valuable present. They were astonished to observe the rage of the Spaniards to obtain them; and had no notion that there could anywhere be a country in which many people had the disposal of so great a superfluity of food, so scanty always among themselves, that for a very small quantity of those glittering baubles they would willingly give as much as might maintain a whole family for many years. Could they have been made to understand this, the passion of the Spaniards would not have surprised them.

Part III.

Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent.

The increasing abundance of food, in consequence of increasing improvement and cultivation, must necessarily increase the demand for every part of the produce of land which is not food, and which can be applied either to use or to ornament. In the whole progress of improvement, it might therefore be expected there should be only one variation in the comparative values of those two

different sorts of produce. The value of that sort which sometimes does and sometimes does not afford rent, should constantly rise in proportion to that which always affords some rent. As art and industry advance, the materials of clothing and lodging, the useful fossils and minerals of the earth, the precious metals and the precious stones should gradually come to be more and more in demand, should gradually exchange for a greater and a greater quantity of food, or, in other words, should gradually become dearer and dearer. This accordingly has been the case with most of these things upon most occasions, and would have been the case with all of them upon all occasions, if particular accidents had not upon some occasions increased the supply of some of them in a still greater proportion than the demand.

The value of a free-stone quarry, for example, will necessarily increase with the increasing improvement and population of the country round about it; especially if it should be the only one in the neighbourhood. But the value of a silver mine, even though there should not be another within a thousand miles of it, will not necessarily increase with the improvement of the country in which it is situated. The market for the produce of a free-stone quarry can seldom extend more than a few miles round about it, and the demand must generally be in proportion to the improvement and population of that small district. But the market for the produce of a silver mine may extend over the whole known world. Unless the world in general, therefore, be advancing in improvement and population, the demand for silver might not be at all increased by the improvement even of a large country in the neighbourhood of the mine. Even though the world in general were improving, yet if, in the course of its improvement, new mines should be discovered, much more fertile than any which had been known before, though the demand for silver would necessarily increase, yet the supply might increase in so much a greater proportion, that the real price of that metal might gradually fall; that is, any given quantity, a pound weight of it, for example, might gradually purchase or command a smaller and a smaller quantity of labour, or exchange for a smaller and a smaller quantity of corn, the principal part of the subsistence of the labourer.

The great market for silver is the commercial and civilized part of the world.

If by the general progress of improvement the demand of this market should increase, while at the same time the supply did not increase in the same proportion, the value of silver would gradually rise in proportion to that of corn. Any given quantity of silver would exchange for a greater and a greater quantity of corn: or, in other words, the average money price of corn would gradually become cheaper and cheaper.

If, on the contrary, the supply by some accident should increase for many years together in a greater proportion than the demand, that metal would gradually become cheaper and cheaper; or, in other words, the average money price of corn would, in spite of all improvements, gradually become dearer and dearer.

But if, on the other hand, the supply of the metal should increase nearly in the same proportion as the demand, it would continue to purchase or exchange for nearly the same quantity of corn, and the average money price of corn would, in spite of all improvements, continue very nearly the same.

These three seem to exhaust all the possible combinations of events which can happen in the progress of improvement; and during the course of the four centuries preceding the present, if we may judge by what has happened both in France and Great Britain, each of those three different combinations seem to have taken place in the European market, and nearly in the same order too in which I have here set them down.

Digression concerning the Variations in the Value of Silver during the Course of the four last Centuries.

FIRST PERIOD.

In 1350, and for some time before, the average price of the quarter of wheat in England seems not to have been estimated lower than four ounces of silver, Tower-weight, equal to about twenty shillings of our present money. From this price it seems to have fallen gradually to two ounces of silver, equal to about ten shillings of our present money, the price at which we find it estimated in the beginning of the sixteenth century, and at which it seems to have continued to be estimated till about 1570.

In 1350, being the 25th of Edward III., was enacted what is called, The statute of labourers. In the preamble it complains much of the insolence of servants, who endeavoured to raise their wages upon their masters. It therefore ordains, that all servants and labourers should for the future be contented with the same wages and liveries (liveries in those times signified, not only clothes, but provisions) which they had been accustomed to receive in the 20th year of the king, and the four preceding years; that upon this account their livery wheat should nowhere be estimated higher than tenpence a bushel, and that it should always be in the option of the master to deliver them either the wheat or the money. Tenpence a bushel, therefore, had, in the 25th of Edward III.

been reckoned a very moderate price of wheat, since it required a particular statute to oblige servants to accept of it in exchange for their usual livery of provisions; and it had been reckoned a reasonable price ten years before that, or in the 16th year of the king, the term to which the statute refers. But in the 16th year of Edward III. tenpence contained about half an ounce of silver, Tower-weight, and was nearly equal to half a crown of our present money. Four ounces of silver, Tower-weight, therefore, equal to six shillings and eightpence of the money of those times, and to near twenty shillings of that of the present, must have been reckoned a moderate price for the quarter of eight bushels.

This statute is surely a better evidence of what was reckoned in those times a moderate price of grain, than the prices of some particular years which have generally been recorded by historians and other writers, on account of their extraordinary dearness or cheapness, and from which, therefore, it is difficult to form any judgment concerning what may have been the ordinary price. There are, besides, other reasons for believing that in the beginning of the fourteenth century, and for some time before, the common price of wheat was not less than four ounces of silver the quarter, and that of other grain in proportion.

In 1309, Ralph de Born, prior of St. Augustine's, Canterbury gave a feast upon his installation day, of which William Thorn has preserved, not only the bill of fare, but the prices of many particulars. In that feast were consumed, 1st, fifty-three quarters of wheat, which cost nineteen pounds, or seven shillings and twopence a quarter, equal to about one-and-twenty shillings and sixpence of our present money: 2dly, fifty-eight quarters of malt, which cost seventeen pounds ten shillings, or six shillings a quarter, equal to about eighteen shillings of our present money: 3dly, twenty quarters of oats, which cost four pounds, or four shillings a quarter, equal to about twelve shillings of our present money. The prices of malt and oats seem here to be higher than their ordinary proportion to the price of wheat.

These prices are not recorded on account of their extraordinary dearness or cheapness, but are mentioned accidentally, as the prices actually paid for large quantities of grain consumed at a feast which was famous for its magnificence.

In 1262, being the 51st of Henry III., was revived an ancient statute, called, *The Assize of Bread and Ale*, which, the king says in the preamble, had been made in the times of his progenitors, sometime kings of England. It is probably, therefore, as old at least as the time of his grandfather, Henry II., and may have been as old as the Conquest. It regulates the price of bread according as the prices of wheat may happen to be, from one shilling to twenty shillings the quarter of the money of those times. But statutes of this kind are generally presumed to provide with equal care for all deviations from the middle price, for those below it as well as for those above it. Ten shillings, therefore, containing six ounces of silver, Tower-weight, and equal to about thirty shillings of our present money, must, upon this supposition, have been reckoned the middle price of the quarter of wheat when this statute was first enacted, and must have continued to be so in the 51st of Henry III. We cannot, therefore, be very wrong in supposing that the middle price was not less than one-third of the highest price at which this statute regulates the price of bread, or than six shillings and eightpence of the money of those times, containing four ounces of silver, Tower-weight.

From these different facts, therefore, we seem to have some reason to conclude, that about the middle of the fourteenth century, and for a considerable time before, the average or ordinary price of the quarter of wheat was not supposed to be less than four ounces of silver, Tower-weight.

From about the middle of the fourteenth to the beginning of the sixteenth century, what was reckoned the reasonable and moderate, that is, the ordinary or average price of wheat, seems to have sunk gradually to about one-half of this price; so as at last to have fallen to about two ounces of silver, Tower-weight, equal to about ten shillings of our present money. It continued to be estimated at this price till about 1570.

In the household book of Henry, the fifth earl of Northumberland, drawn up in 1512, there are two different estimations of wheat. In one of them it is computed at six shillings and eightpence the quarter, in the other at five shillings and eightpence only. In 1512, six shillings and eightpence contained only two ounces of silver, Tower-weight, and were equal to about ten shillings of our present money.

From the 25th of Edward III. to the beginning of the reign of Elizabeth, during the space of more than two hundred years, six shillings and eightpence, it appears from several different statutes, had continued to be considered as what is called the moderate and reasonable, that is, the ordinary or average price of wheat. The quantity of silver, however, contained in that nominal sum was, during the course of this period, continually diminishing, in consequence of some alterations which were made in the coin. But the increase of the value of silver had, it seems, so far compensated the diminution of the quantity of it contained

in the same nominal sum, that the legislature did not think it worth while to attend to this circumstance.

Thus in 1436 it was enacted, that wheat might be exported without a licence when the price was so low as six shillings and eightpence: and in 1463 it was enacted, that no wheat should be imported if the price was not above six shillings and eightpence the quarter. The legislature had imagined, that when the price was so low, there could be no inconveniency in exportation, but that when it rose higher, it became prudent to allow of importation. Six shillings and eightpence, therefore, containing about the same quantity of silver as thirteen shillings and fourpence of our present money, (one third part less than the same nominal sum contained in the time of Edward III.) had in those times been considered as what is called the moderate and reasonable price of wheat.

In 1554, by the 1st and 2d of Philip and Mary, and in 1558, by the 1st of Elizabeth, the exportation of wheat was in the same manner prohibited, whenever the price of the quarter should exceed six shillings and eightpence, which did not then contain two penny worth more silver than the same nominal sum does at present. But it had soon been found that to restrain the exportation of wheat till the price was so very low, was, in reality, to prohibit it altogether. In 1562, therefore, by the 5th of Elizabeth, the exportation of wheat was allowed from certain ports whenever the price of the quarter should not exceed ten shillings, containing nearly the same quantity of silver as the like nominal sum does at present. This price had at this time, therefore, been considered as what is called the moderate and reasonable price of wheat. It agrees nearly with the estimation of the Northumberland book in 1512.

That in France the average price of grain was, in the same manner, much lower in the end of the fifteenth and beginning of the sixteenth century, than in the two centuries preceding, has been observed both by M. Duprè de St. Maur, and by the elegant author of the Essay on the Police of Grain. Its price, during the same period, had probably sunk in the same manner through the greater part of Europe.

This rise in the value of silver in proportion to that of corn, may either have been owing altogether to the increase of the demand for that metal, in consequence of increasing improvement and cultivation, the supply in the mean time continuing the same as before; or, the demand continuing the same as before, it may have been owing altogether to the gradual diminution of the supply; the greater part of the mines which were then known in the world being much exhausted, and consequently the expense of working them much increased; or it may have been owing partly to the one, and partly to the other of those two circumstances. In the end of the fifteenth and beginning of the sixteenth centuries, the greater part of Europe was approaching towards a more settled form of government, than it had enjoyed for several ages before. The increase of security would naturally increase industry and improvement; and the demand for the precious metals, as well as for every other luxury and ornament, would naturally increase with the increase of riches. A greater annual produce would require a greater quantity of coin to circulate it; and a greater number of rich people would require a greater quantity of plate and other ornaments of silver. It is natural to suppose, too, that the greater part of the mines which then supplied the European market with silver, might be a good deal exhausted, and have become more expensive in the working. They had been wrought, many of them, from the time of the Romans.

It has been the opinion, however, of the greater part of those who have written upon the prices of commodities in ancient times, that, from the Conquest, perhaps from the invasion of Julius Cæsar till the discovery of the mines of America, the value of silver was continually diminishing. This opinion they seem to have been led into, partly by the observations which they had occasion to make upon the prices both of corn and of some other parts of the rude produce of land; and partly by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases.

In their observations upon the prices of corn, three different circumstances seem frequently to have misled them.

First, In ancient times almost all rents were paid in kind; in a certain quantity of corn, cattle, poultry, &c. It sometimes happened, however, that the landlord would stipulate that he should be at liberty to demand of the tenant either the annual payment in kind, or a certain sum of money instead of it. The price at which the payment in kind was in this manner exchanged for a certain sum of money, is in Scotland called the conversion price. As the option is always in the landlord to take either the substance or the price, it is necessary for the safety of the tenant, that the conversion price should rather be below than above the average market price. In many places, accordingly, it is not much above one half of this price. Through the greater part of Scotland this custom still continues with regard to poultry, and in some places with regard to cattle. It might probably have

continued to take place, too, with regard to corn, had not the institution of the public fiars put an end to it. These are annual valuations, according to the judgment of an assise, of the average price of all the different sorts of grain, and of all the different qualities of each, according to the actual market price in every different county. This institution rendered it sufficiently safe for the tenant, and much more convenient for the landlord, to convert, as they call it, the corn rent, rather at what should happen to be the price of the fiars of each year, than at any certain fixed price; but the writers who have collected the prices of corn in ancient times, seem frequently to have mistaken what is called in Scotland the conversion price for the actual market price. Fleetwood acknowledges, upon one occasion, that he had made this mistake. As he wrote his book, however, for a particular purpose, he does not think proper to make this acknowledgment till after transcribing this conversion price fifteen times. The price is eight shillings the quarter of wheat. This sum in 1423, the year at which he begins with it, contained the same quantity of silver as sixteen shillings of our present money; but in 1562, the year at which he ends with it, it contained no more than the same nominal sum does at present.

Secondly, They have been misled by the slovenly manner in which some ancient statutes of assize had been sometimes transcribed by lazy copiers; and sometimes, perhaps, actually composed by the legislature.

The ancient statutes of assize seem to have begun always with determining what ought to be the price of bread and ale when the price of wheat and barley were at the lowest, and to have proceeded gradually to determine what it ought to be, according as the prices of those two sorts of grain should gradually rise above this lowest price. But the transcribers of those statutes seem frequently to have thought it sufficient to copy the regulation as far as the three or four first and lowest prices; saving in this manner their own labour, and judging, I suppose, that this was enough to show what proportion ought to be observed in all higher prices.

Thus in the assize of bread and ale, of the 51st of Henry III., the price of bread was regulated according to the different prices of wheat, from one shilling to twenty shillings the quarter, of the money of those times. But in the manuscripts from which all the different editions of the statutes, preceding that of Mr. Ruffhead, were printed, the copiers had never transcribed this regulation beyond the price of twelve shillings. Several writers, therefore, being misled by this faulty transcription, very naturally concluded that the middle price, or six shillings the quarter, equal to about eighteen shillings of our present money, was the ordinary or average price of wheat at that time.

In the statute of Tumbrel and Pillory, enacted nearly about the same time, the price of ale is regulated according to every sixpence rise in the price of barley, from two shillings to four shillings the quarter. That four shillings, however, was not considered as the highest price to which barley might frequently rise in those times, and that these prices were only given as an example of the proportion which ought to be observed in all other prices, whether higher or lower, we may infer from the last words of the statute; "et sic deinceps crescetur vel diminuetur per sex denarios." The expression is very slovenly, but the meaning is plain enough: "That the price of ale is in this manner to be increased or diminished according to every sixpence rise or fall in the price of barley." In the composition of this statute the legislature itself seems to have been as negligent as the copiers were in the transcription of the other.

In an ancient manuscript of the Regiam Majestatem, an old Scotch law book, there is a statute of assize, in which the price of bread is regulated according to all the different prices of wheat, from tenpence to three shillings the Scotch boll, equal to about half an English quarter. Three shillings Scotch, at the time when this assize is supposed to have been enacted, were equal to about nine shillings sterling of our present money. Mr. Ruddiman seems[1] to conclude from this, that three shillings was the highest price to which wheat ever rose in those times, and that tenpence, a shilling, or at most two shillings, were the ordinary prices. Upon consulting the manuscript, however, it appears evidently, that all these prices are only set down as examples of the proportion which ought to be observed between the respective prices of wheat and bread. The last words of the statute are, "reliqua judicabis secundum præscripta habendo respectum ad pretium bladi." "You shall judge of the remaining cases according to what is above written, having a respect to the price of corn."

Thirdly, They seem to have been misled too by the very low price at which wheat was sometimes sold in very ancient times; and to have imagined, that as its lowest price was then much lower than in later times, its ordinary price must likewise have been much lower. They might have found, however, that in those ancient times, its highest price was fully as much above, as its lowest price was below, any thing that had ever been known in later times. Thus in 1270, Fleetwood gives us two prices of the quarter of wheat. The one is four pounds sixteen

[1] See his preface to Anderson's Diplomata Scotiæ.

shillings of the money of those times, equal to fourteen pounds eight shillings of that of the present; the other is six pounds eight shillings, equal to nineteen pounds four shillings of our present money.[1] No price can be found in the end of the fifteenth, or beginning of the sixteenth century, which approaches to the extravagance of these. The price of corn, though at all times liable to variation, varies most in those turbulent and disorderly societies, in which the interruption of all commerce and communication hinders the plenty of one part of the country from relieving the scarcity of another. In the disorderly state of England under the Plantagenets, who governed it from about the middle of the twelfth, till towards the end of the fifteenth century, one district might be in plenty, while another, at no great distance, by having its crop destroyed either by some accident of the seasons, or by the incursion of some neighbouring baron, might be suffering all the horrors of a famine; and yet if the lands of some hostile lord were interposed between them, the one might not be able to give the least assistance to the other. Under the vigorous administration of the Tudors, who governed England during the latter part of the fifteenth, and through the whole of the sixteenth century, no baron was powerful enough to dare to disturb the public security.

The reader will find at the end of this chapter all the prices of wheat which have been collected by Fleetwood, from 1202 to 1597, both inclusive, reduced to the money of the present times, and digested according to the order of time, into seven divisions of twelve years each. At the end of each division too, he will find the average price of the twelve years of which it consists. In that long period of time, Fleetwood has been able to collect the prices of no more than eighty years, so that four years are wanting to make out the last twelve years. I have added, therefore, from the accounts of Eton college, the prices of 1598, 1599, 1600, and 1601. It is the only addition which I have made. The reader will see, that from the beginning of the thirteenth, till after the middle of the sixteenth century, the average price of each twelve years grows gradually lower and lower; and that towards the end of the sixteenth century it begins to rise again. The prices, indeed, which Fleetwood has been able to collect, seem to have been those chiefly which were remarkable for extraordinary dearness or cheapness; and I do not pretend that any very certain conclusions can be drawn from them. So far, however, as they prove any thing at all, they confirm the account which I have been endeavouring to give. Fleetwood himself, however, seems, with most other writers, to have believed, that during all this period the value of silver, in consequence of its increasing abundance, was continually diminishing. The prices of corn which he himself has collected, certainly do not agree with this opinion. They agree perfectly with that of Mr. Dupré de St. Maur, and with that which I have been endeavouring to explain. Bishop Fleetwood and Mr. Dupré de St. Maur are the two authors who seem to have collected, with the greatest diligence and fidelity, the prices of things in ancient times. It is somewhat curious that, though their opinions are so very different, their facts, so far as they relate to the price of corn at least, should coincide so very exactly.

It is not, however, so much from the low price of corn, as from that of some other parts of the rude produce of land, that the most judicious writers have inferred the great value of silver in those very ancient times. Corn, it has been said, being a sort of manufacture, was, in those rude ages, much dearer in proportion than the greater part of other commodities; it is meant, I suppose, than the greater part of unmanufactured commodities; such as cattle, poultry, game of all kinds, &c. That in those times of poverty and barbarism these were proportionably much cheaper than corn, is undoubtedly true. But this cheapness was not the effect of the high value of silver, but of the low value of those commodities. It was not because silver would in such times purchase or represent a greater quantity of labour, but because such commodities would purchase or represent a much smaller quantity than in times of more opulence and improvement. Silver must certainly be cheaper in Spanish America than in Europe; in the country where it is produced, than in the country to which it is brought, at the expense of a long carriage both by land and by sea, of a freight and an insurance. One-and-twenty pence halfpenny sterling, however, we are told by Ulloa, was, not many years ago, at Buenos Ayres, the price of an ox chosen from a herd of three or four hundred. Sixteen shillings sterling, we are told by Mr. Byron, was the price of a good horse in the capital of Chili. In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, &c., as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity. The low money price for which they may be sold,

[1] Very little dependence can be placed on the accounts of prices at this remote æra. It is, indeed, quite impossible that the prices mentioned in the text should have been paid by any considerable number of persons.

is no proof that the real value of silver is there very high, but that the real value of those commodities is very low.

Labour, it must always be remembered, and not any particular commodity or set of commodities, is the real measure of the value both of silver and of all other commodities.

But in countries almost waste, or but thinly inhabited, cattle, poultry, game of all kinds, &c., as they are the spontaneous productions of nature, so she frequently produces them in much greater quantities than the consumption of the inhabitants requires. In such a state of things the supply commonly exceeds the demand. In different states of society, in different stages of improvement, therefore, such commodities will represent, or be equivalent to, very different quantities of labour.

In every state of society, in every stage of improvement, corn is the production of human industry. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In every different stage of improvement, besides, the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour; or what comes to the same thing, the price of nearly equal quantities; the continual increase of the productive powers of labour in an improving state of cultivation, being more or less counterbalanced by the continually increasing price of cattle, the principal instruments of agriculture.[1] Upon all these accounts, therefore, we may rest assured, that equal quantities of corn will, in every state of society, in every stage of improvement, more nearly represent, or be equivalent to, equal quantities of labour, than equal quantities of any other part of the rude produce of land. Corn, accordingly, it has already been observed, is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities. In all those different stages, therefore, we can judge better of the real value of silver, by comparing it with corn, than by comparing it with any other commodity, or set of commodities.

Corn, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilized country, the principal part of the subsistence of the labourer. In consequence of the extension of agriculture, the land of every country produces a much greater quantity of vegetable than of animal food, and the labourer everywhere lives chiefly upon the wholesome food that is cheapest and most abundant. Butcher's meat, except in the most thriving countries, or where labour is most highly rewarded, makes but an insignificant part of his subsistence; poultry makes a still smaller part of it, and game no part of it. In France, and even in Scotland, where labour is somewhat better rewarded than in France, the labouring poor seldom eat butcher's meat, except upon holidays, and other extraordinary occasions. The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's meat, or any other part of the rude produce of land.

Such slight observations, however, upon the prices either of corn or of other commodities, would not, probably, have misled so many intelligent authors, had they not been influenced, at the same time, by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases. This notion, however, seems to be altogether groundless.

The quantity of the precious metals may increase in any country from two different causes: either, first, from the increased abundance of the mines which supply it; or, secondly, from the increased wealth of the people, from the increased produce of their annual labour. The first of these causes is, no doubt, necessarily connected with the diminution of the value of the precious metals; but the second is not.

When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessaries and conveniences of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities. So far, therefore, as the increase of the quantity of the precious metals in any country arises from the increased abundance of the mines, it is necessarily connected with some diminution of their value.

When, on the contrary, the wealth of any country increases, when the annual produce of its labour becomes gradually greater and greater, a greater quantity of coin becomes necessary, in order to circulate a greater quantity of commodities; and the people, as they can afford it, as they have more commodities to give for it, will naturally purchase a greater and a greater quantity of plate. The quantity of their coin will in-

[1] For an exposition of the fallacy of this doctrine, see notes on Corn Laws and Rent, end of the volume.

crease from necessity; the quantity of their plate from vanity and ostentation, or from the same reason that the quantity of fine statues, pictures, and of every other luxury and curiosity, is likely to increase among them. But as statuaries and painters are not likely to be worse rewarded in times of wealth and prosperity, than in times of poverty and depression, so gold and silver are not likely to be worse paid for.

The price of gold and silver, when the accidental discovery of more abundant mines does not keep it down, as it naturally rises with the wealth of every country, so, whatever be the state of the mines, it is at all times naturally higher in a rich than in a poor country. Gold and silver, like all other commodities, naturally seek the market where the best price is given for them, and the best price is commonly given for every thing in the country which can best afford it. Labour, it must be remembered, is the ultimate price which is paid for every thing, and in countries where labour is equally well rewarded, the money price of labour will be in proportion to that of the subsistence of the labourer. But gold and silver will naturally exchange for a greater quantity of subsistence in a rich than in a poor country, in a country which abounds with subsistence, than in one which is but indifferently supplied with it. If the two countries are at a great distance, the difference may be very great; because though the metals naturally fly from the worse to the better market, yet it may be difficult to transport them in such quantities as to bring their price nearly to a level in both. If the countries are near, the difference will be smaller, and may sometimes be scarce perceptible; because in this case the transportation will be easy. China is a much richer country than any part of Europe, and the difference between the price of subsistence in China and in Europe is very great.[1] Rice in China is much cheaper than wheat is anywhere in Europe. England is a much richer country than Scotland; but the difference between the money price of corn in those two countries is much smaller, and is but just perceptible. In proportion to the quantity or measure, Scotch corn generally appears to be a good deal cheaper than English; but in proportion to its quality, it is, certainly, somewhat dearer. Scotland receives, almost every year, very large supplies from England, and every commodity must commonly be somewhat dearer in the country to which it is brought than in that from which it comes.[2] English corn, therefore, must be dearer in Scotland than in England, and yet in proportion to its quality, or to the quantity and goodness of the flour or meal which can be made from it, it cannot commonly be sold higher there than the Scotch corn, which comes to market in competition with it.

The difference between the money price of labour in China and in Europe is still greater than that between the money price of subsistence; because the real recompence of labour is higher in Europe than in China, the greater part of Europe being in an improving state, while China seems to be standing still. The money price of labour is lower in Scotland than in England, because the real recompence of labour is much lower; Scotland, though advancing to greater wealth, is advancing much more slowly than England.[3] The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labour is very different in the two countries. The proportion between the real recompence of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary, or declining condition.

Gold and silver, as they are naturally of the greatest value among the richest, so they are naturally of the least value among the poorest nations. Among savages, the poorest of all nations, they are of scarce any value.

In great towns corn is always dearer than in remote parts of the country. This, however, is the effect not of the real cheapness of silver, but of the real dearness of corn. It does not cost less labour to bring silver to the great town than to the remote parts of the country; but it costs a great deal more to bring corn.

In some very rich and commercial countries, such as Holland and the territory of Genoa, corn is dear for the same reason that it is dear in great towns. They do not produce enough to maintain their inhabitants. They are rich in the industry and skill of their artificers and manufacturers; in every sort of machinery which can facilitate and abridge labour; in shipping, and in all the other instruments and means of carriage and commerce; but they are poor in corn, which, as it must be brought to them from distant countries, must, by an addition to its price, pay for the carriage from those countries. It does not cost less labour to bring silver to Amsterdam than to Dantzick; but it costs a great deal more to bring corn. The real

[1] Dr. Smith must have formed his opinion of the riches of China from the representations of the earlier travellers, and the jesuits. Later and better authenticated accounts show that China, instead of being a rich, is really a poor ill-cultivated country. The population is exceedingly redundant; and poverty and misery prevail to an extent unknown any where in Europe, with the exception of Ireland.

[2] This, as was previously observed, is no longer the case. The exports of corn from Scotland to England are now generally greater than the imports.

[3] See notes *ante*, pp. 34. and 41.

cost of silver must be nearly the same in both places; but that of corn must be very different. Diminish the real opulence either of Holland or of the territory of Genoa, while the number of their inhabitants remains the same: diminish their power of supplying themselves from distant countries; and the price of corn, instead of sinking with that diminution in the quantity of their silver, which must necessarily accompany this declension either as its cause or as its effect, will rise to the price of a famine. When we are in want of necessaries, we must part with all superfluities, of which the value, as it rises in times of opulence and prosperity, so it sinks in times of poverty and distress. It is otherwise with necessaries. Their real price, the quantity of labour which they can purchase or command, rises in times of poverty and distress, and sinks in times of opulence and prosperity, which are always times of great abundance; for they could not otherwise be times of opulence and prosperity. Corn is a necessary, silver is only a superfluity.

Whatever, therefore, may have been the increase in the quantity of the precious metals, which, during the period between the middle of the fourteenth and that of the sixteenth century, arose from the increase of wealth and improvement, it could have no tendency to diminish their value either in Great Britain or in any other part of Europe. If those who have collected the prices of things in ancient times, therefore, had, during this period, no reason to infer the diminution of the value of silver, from any observations which they had made upon the prices either of corn or of other commodities, they had still less reason to infer it from any supposed increase of wealth and improvement.

SECOND PERIOD.

But how various soever may have been the opinions of the learned concerning the progress of the value of silver during the first period, they are unanimous concerning it during the second.

From about 1570 to about 1640, during a period of about seventy years, the variation in the proportion between the value of silver and that of corn, held a quite opposite course. Silver sunk in its real value, or would exchange for a smaller quantity of labour than before; and corn rose in its nominal price, and instead of being commonly sold for about two ounces of silver the quarter, or about ten shillings of our present money, came to be sold for six and eight ounces of silver the quarter, or about thirty and forty shillings of our present money.

The discovery of the abundant mines of America seems to have been the sole cause of this diminution in the value of silver in proportion to that of corn. It is accounted for accordingly in the same manner by every body; and there never has been any dispute either about the fact, or about the cause of it. The greater part of Europe was, during this period, advancing in industry and improvement, and the demand for silver must consequently have been increasing. But the increase of the supply had, it seems, so far exceeded that of the demand, that the value of that metal sunk considerably. The discovery of the mines of America, it is to be observed, does not seem to have had any very sensible effect upon the prices of things in England till after 1570; though even the mines of Potosi had been discovered more than twenty years before.

From 1595 to 1620, both inclusive, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, from the accounts of Eton College, to have been £2 1s. $6\frac{3}{4}$d. From which sum, neglecting the fraction, and deducting a ninth, or 4s. $7\frac{1}{3}$d., the price of the quarter of eight bushels comes out to have been £1 16s. $10\frac{3}{4}$d. And from this sum, neglecting likewise the fraction, and deducting a ninth, or 4s. $1\frac{5}{9}$d., for the difference between the price of the best wheat and that of the middle wheat, the price of the middle wheat comes out to have been about £1 12s. $8\frac{2}{9}$d. or about six ounces and one-third of an ounce of silver.

From 1621 to 1636, both inclusive, the average price of the same measure of the best wheat at the same market appears, from the same accounts, to have been £2 10s.; from which, making the like deductions as in the foregoing case, the average price of the quarter of eight bushels of middle wheat comes out to have been £1 19s. 6d., or about seven ounces and two-thirds of an ounce of silver.

THIRD PERIOD.

Between 1630 and 1640, or about 1636, the effect of the discovery of the mines of America in reducing the value of silver, appears to have been completed; and the value of that metal seems never to have sunk lower in proportion to that of corn than it was about that time. It seems to have risen somewhat in the course of the present century, and it had probably begun to do so even some time before the end of the last.

From 1637 to 1700, both inclusive, being the sixty-four last years of the last century, the average price of the quarter of nine bushels of the best wheat at Windsor market appears, from the same accounts, to have been £2 11s. $0\frac{1}{3}$d.; which is only 1s. $0\frac{1}{3}$d. dearer than it had been during the sixteen years before. But in the course of these

sixty-four years there happened two events which must have produced a much greater scarcity of corn than what the course of the seasons would otherwise have occasioned, and which, therefore, without supposing any further reduction in the value of silver, will much more than account for this very small enhancement of price.

The first of these events was the civil war, which, by discouraging tillage and interrupting commerce, must have raised the price of corn much above what the course of the seasons would otherwise have occasioned. It must have had this effect more or less at all the different markets in the kingdom, but particularly at those in the neighbourhood of London, which require to be supplied from the greatest distance. In 1648, accordingly, the price of the best wheat at Windsor market appears, from the same accounts, to have been 4*l.* 5*s.*, and in 1649 to have been 4*l.* the quarter of nine bushels. The excess of those two years above 2*l.* 10*s.* (the average price of the sixteen years preceding 1637) is 3*l.* 5*s.*; which, divided among the sixty-four last years of the last century, will alone very nearly account for that small enhancement of price which seems to have taken place in them. These, however, though the highest, are by no means the only high prices which seem to have been occasioned by the civil wars.

The second event was the bounty upon the exportation of corn, granted in 1688.[1] The bounty, it has been thought by many people, by encouraging tillage, may, in a long course of years have occasioned a greater abundance, and consequently a greater cheapness of corn in the home market than what would otherwise have taken place there. How far the bounty could produce this effect at any time, I shall examine hereafter; I shall only observe at present, that between 1688 and 1700 it had not time to produce any such effect. During this short period its only effect must have been by encouraging the exportation of the surplus produce of every year, and thereby hindering the abundance of one year from compensating the scarcity of another, to raise the price in the home market. The scarcity which prevailed in England from 1693 to 1699, both inclusive, though no doubt principally owing to the badness of the seasons, and, therefore, extending through a considerable part of Europe, must have been somewhat enhanced by the bounty. In 1699, accordingly, the further exportation of corn was prohibited for nine months.

There was a third event which occurred in the course of the same period, and which, though it could not occasion any scarcity of corn, nor, perhaps, any augmentation in the real quantity of silver which was usually paid for it, must necessarily have occasioned some augmentation in the nominal sum. This event was the great debasement of the silver coin, by clipping and wearing. This evil had begun in the reign of Charles II., and had gone on continually increasing till 1695; at which time, as we may learn from Mr. Lowndes, the current silver coin was, at an average, near five-and-twenty per cent. below its standard value. But the nominal sum which constitutes the market price of every commodity is necessarily regulated, not so much by the quantity of silver, which, according to the standard, ought to be contained in it, as by that which, it is found by experience, actually is contained in it. This nominal sum, therefore, is necessarily higher when the coin is much debased by clipping and wearing, than when near to its standard value.

In the course of the present century, the silver coin has not at any time been more below its standard weight than it is at present. But though very much defaced, its value has been kept up by that of the gold coin for which it is exchanged. For though before the late recoinage, the gold coin was a good deal defaced too, it was less so than the silver. In 1695, on the contrary, the value of the silver coin was not kept up by the gold coin; a guinea then commonly exchanging for thirty shillings of the worn and clipt silver. Before the late recoinage of the gold, the price of silver bullion was seldom higher than five shillings and sevenpence an ounce, which is but fivepence above the mint price. But in 1695, the common price of silver bullion was six shillings and fivepence an ounce,[2] which is fifteen pence above the mint price. Even before the late recoinage of the gold, therefore, the coin, gold and silver together, when compared with silver bullion, was not supposed to be more than eight per cent. below its standard value. In 1695, on the contrary, it had been supposed to be near five-and-twenty per cent. below that value. But in the beginning of the present century, that is, immediately after the great recoinage in King William's time, the greater part of the current silver coin must have been still nearer to its standard weight than it is at present. In the course of the present century too there has been no great public calamity, such as the civil war, which could either discourage tillage, or interrupt the interior commerce of the country. And though the bounty, which has taken place through the greater part of this century, must always raise the price of corn somewhat higher than it otherwise would be in the actual state of tillage, yet as, in the course of this century, the bounty has had full time to produce all the good

[1] For some observations on the effects of the bounty, see note on the Corn Laws, end of the volume.

[2] Lowndes's Essay on the Silver Coin, p. 68.

effects commonly imputed to it, to encourage tillage, and thereby to increase the quantity of corn in the home market, it may, upon the principles of a system which I shall explain and examine hereafter, be supposed to have done something to lower the price of that commodity the one way, as well as to raise it the other. It is by many people supposed to have done more. In the sixty-four first years of the present century accordingly, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, by the accounts of Eton College, to have been 2*l.* 0*s.* $6\frac{19}{35}$*d.*, which is about ten shillings and sixpence, or more than five-and-twenty per cent. cheaper than it had been during the sixty-four last years of the last century; and about nine shillings and sixpence cheaper than it had been during the sixteen years preceding 1636, when the discovery of the abundant mines of America may be supposed to have produced its full effect; and about one shilling cheaper than it had been in the twenty-six years preceding 1620, before that discovery can well be supposed to have produced its full effect. According to this account, the average price of middle wheat, during these sixty-four first years of the present century, comes out to have been about thirty-two shillings the quarter of eight bushels.

The value of silver, therefore, seems to have risen somewhat in proportion to that of corn during the course of the present century, and it had probably begun to do so even some time before the end of the last.

In 1687, the price of the quarter of nine bushels of the best wheat at Windsor market was 1*l.* 5*s.* 2*d.*, the lowest price at which it had ever been from 1595.

In 1688, Mr. Gregory King, a man famous for his knowledge of matters of this kind, estimated the average price of wheat in years of moderate plenty to be to the grower 3*s.* 6*d.* the bushel, or eight-and-twenty shillings the quarter. The grower's price I understand to be the same with what is sometimes called the contract price, or the price at which a farmer contracts for a certain number of years to deliver a certain quantity of corn to a dealer. As a contract of this kind saves the farmer the expense and trouble of marketing, the contract price is generally lower than what is supposed to be the average market price. Mr. King had judged eight-and-twenty shillings the quarter to be at that time the ordinary contract price in years of moderate plenty. Before the scarcity occasioned by the late extraordinary course of bad seasons, it was, I have been assured, the ordinary contract price in all common years.

In 1688 was granted the parliamentary bounty upon the exportation of corn. The country gentlemen, who then composed a still greater proportion of the legislature than they do at present, had felt that the money price of corn was falling. The bounty was an expedient to raise it artificially to the high price at which it had frequently been sold in the times of Charles I. and II. It was to take place, therefore, till wheat was so high as forty-eight shillings the quarter; that is twenty shillings, or $\frac{5}{12}$ths dearer than Mr. King had in that very year estimated the grower's price to be in times of moderate plenty. If his calculations deserve any part of the reputation which they have obtained very universally, eight-and-forty shillings the quarter was a price which, without some such expedient as the bounty, could not at that time be expected, except in years of extraordinary scarcity. But the government of King William was not then fully settled. It was in no condition to refuse any thing to the country gentlemen, from whom it was at that very time soliciting the first establishment of the annual land-tax.

The value of silver, therefore, in proportion to that of corn, had probably risen somewhat before the end of the last century; and it seems to have continued to do so during the course of the greater part of the present; though the necessary operation of the bounty must have hindered that rise from being so sensible as it otherwise would have been in the actual state of tillage.

In plentiful years the bounty, by occasioning an extraordinary exportation, necessarily raises the price of corn above what it otherwise would be in those years. To encourage tillage, by keeping up the price of corn even in the most plentiful years, was the avowed end of the institution.

In years of great scarcity, indeed, the bounty has generally been suspended. It must, however, have had some effect even upon the prices of many of those years. By the extraordinary exportation which it occasions in years of plenty, it must frequently hinder the plenty of one year from compensating the scarcity of another.

Both in years of plenty and in years of scarcity, therefore, the bounty raises the price of corn above what it naturally would be in the actual state of tillage. If, during the sixty-four first years of the present century, therefore, the average price has been lower than during the sixty-four last years of the last century, it must, in the same state of tillage, have been much more so, had it not been for this operation of the bounty.

But without the bounty, it may be said, the state of tillage would not have been the same. What may have been the effects of this institution upon the agriculture of the country, I shall endeavour to explain hereafter, when I come to treat particularly of bounties. I shall only observe at present, that this rise in the value of silver, in pro-

portion to that of corn, has not been peculiar to England. It has been observed to have taken place in France during the same period, and nearly in the same proportion too, by three very faithful, diligent, and laborious collectors of the prices of corn, M. Duprè de St. Maur, Mr. Messance, and the author of the Essay on the Police of Grain. But in France, till 1764, the exportation of grain was by law prohibited; and it is somewhat difficult to suppose, that nearly the same diminution of price which took place in one country, notwithstanding this prohibition, should in another be owing to the extraordinary encouragement given to exportation.

It would be more proper, perhaps, to consider this variation in the average money price of corn as the effect rather of some gradual rise in the real value of silver in the European market, than of any fall in the real average value of corn. Corn, it has already been observed, is at distant periods of time a more accurate measure of value than either silver, or perhaps any other commodity. When, after the discovery of the abundant mines of America, corn rose to three and four times its former money price, this change was universally ascribed, not to any rise in the real value of corn, but to a fall in the real value of silver. If, during the sixty-four first years of the present century, therefore, the average money price of corn has fallen somewhat below what it had been during the greater part of the last century, we should in the same manner impute this change, not to any fall in the real value of corn, but to some rise in the real value of silver in the European market.

The high price of corn during these ten or twelve years past[1], indeed, has occasioned a suspicion that the real value of silver still continues to fall in the European market. This high price of corn, however, seems evidently to have been the effect of the extraordinary unfavourableness of the seasons, and ought therefore to be regarded, not as a permanent, but as a transitory and occasional event. The seasons for these ten or twelve years past have been unfavourable through the greater part of Europe; and the disorders of Poland have very much increased the scarcity in all those countries which, in dear years, used to be supplied from that market. So long a course of bad seasons, though not a very common event, is by no means a singular one; and whoever has inquired much into the history of the prices of corn in former times, will be at no loss to recollect several other examples of the same kind. Ten years of extraordinary scarcity besides are not more wonderful than ten years of extraordinary plenty. The low price of corn from 1741 to 1750, both inclusive, may very well be set in opposition to its high price during these last eight or ten years. From 1741 to 1750, the average price of the quarter of nine bushels of the best wheat at Windsor market, it appears from the accounts of Eton College, was only 1*l.* 13*s.* 9¾*d.*, which is nearly 6*s.* 3*d.* below the average price of the sixty-four first years of the present century. The average price of the quarter of eight bushels of middle wheat comes out, according to this account, to have been, during these ten years, only 1*l.* 6*s.* 8*d.*

Between 1741 and 1750, however, the bounty must have hindered the price of corn from falling so low in the home market as it naturally would have done. During these ten years the quantity of all sorts of grain exported, it appears from the custom-house books, amounted to no less than eight millions twenty-nine thousand one hundred and fifty-six quarters one bushel. The bounty paid for this amounted to 1,514,962*l.* 17*s.* 4½*d.* In 1749 accordingly, Mr. Pelham, at that time prime minister, observed to the House of Commons, that for the three years preceding, a very extraordinary sum had been paid as bounty for the exportation of corn. He had good reason to make this observation, and in the following year he might have had still better. In that single year the bounty paid amounted to no less than 324,176*l.* 10*s.* 6*d.*[2] It is unnecessary to observe how much this forced exportation must have raised the price of corn above what it otherwise would have been in the home market.

At the end of the accounts annexed to this chapter the reader will find the particular account of those ten years separated from the rest. He will find there too the particular account of the preceding ten years, of which the average is likewise below, though not so much below, the general average of the sixty-four first years of the century. The year 1740, however, was a year of extraordinary scarcity. These twenty years preceding 1750, may very well be set in opposition to the twenty preceding 1770. As the former were a good deal below the general average of the century, notwithstanding the intervention of one or two dear years; so the latter have been a good deal above it, notwithstanding the intervention of one or two cheap ones, of 1759, for example. If the former have not been so much below the general average, as the latter have been above it, we ought probably to impute it to the bounty. The change has evidently been too sudden to be ascribed to any change in the value of silver, which is always slow and gradual. The suddenness of the effect can be accounted for only by a cause which can operate suddenly, the accidental variation of the seasons.

[1] That is, the ten or twelve years ending with 1775.

[2] See Tracts on the Corn Trade: Tract 3d.

The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great and almost universal prosperity of the country. In France, a country not altogether so prosperous, the money price of labour has, since the middle of the last century, been observed to sink gradually with the average money price of corn. Both in the last century and in the present, the day-wages of common labour are there said to have been pretty uniformly about the twentieth part of the average price of the septier of wheat, a measure which contains a little more than four Winchester bushels. In Great Britain the real recompence of labour, it has already been shown, the real quantities of the necessaries and conveniences of life which are given to the labourer, has increased considerably during the course of the present century. The rise in its money price seems to have been the effect, not of any diminution of the value of silver in the general market of Europe, but of a rise in the real price of labour in the particular market of Great Britain, owing to the peculiarly happy circumstances of the country.

For some time after the first discovery of America, silver would continue to sell at its former, or not much below its former price. The profits of mining would for some time be very great, and much above their natural rate. Those who imported that metal into Europe, however, would soon find that the whole annual importation could not be disposed of at this high price. Silver would gradually exchange for a smaller and a smaller quantity of goods. Its price would sink gradually lower and lower till it fell to its natural price; or to what was just sufficient to pay, according to their natural rates, the wages of the labour, the profits of the stock, and the rent of the land, which must be paid in order to bring it from the mine to the market. In the greater part of the silver mines of Peru, the tax of the king of Spain, amounting to a tenth of the gross produce, eats up, it has already been observed, the whole rent of the land. This tax was originally a half; it soon afterwards fell to a third, then to a fifth, and at last to a tenth, at which rate it still continues. In the greater part of the silver mines of Peru this, it seems, is all that remains, after replacing the stock of the undertaker of the work, together with its ordinary profits; and it seems to be universally acknowledged that these profits, which were once very high, are now as low as they can well be, consistently with carrying on their works.

The tax of the king of Spain was reduced to a fifth part of the registered silver in 1504[1], one-and-forty years before 1545, the date of the discovery of the mines of Potosi. In the course of ninety years, or before 1636, these mines, the most fertile in all America[2], had time sufficient to produce their full effect, or to reduce the value of silver in the European market as low as it could well fall, while it continued to pay this tax to the king of Spain. Ninety years is time sufficient to reduce any commodity, of which there is no monopoly, to its natural price, or to the lowest price at which, while it pays a particular tax, it can continue to be sold for any considerable time together.

The price of silver in the European market might, perhaps, have fallen still lower, and it might have become necessary either to reduce the tax upon it, not only to one-tenth, as in 1736, but to one-twentieth, in the same manner as that upon gold, or to give up working the greater part of the American mines which are now wrought. The gradual increase of the demand for silver, or the gradual enlargement of the market for the produce of the silver mines of America, is probably the cause which has prevented this from happening, and which has not only kept up the value of silver in the European market, but has perhaps even raised it somewhat higher than it was about the middle of the last century.

Since the first discovery of America, the market for the produce of its silver mines has been growing gradually more and more extensive.

First, The market of Europe has become gradually more and more extensive. Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France, and Germany; even Sweden, Denmark, and Russia, have all advanced considerably both in agriculture and in manufactures. Italy seems not to have gone backwards. The fall of Italy preceded the conquest of Peru. Since that time it seems rather to have recovered a little. Spain and Portugal, indeed, are supposed to have gone backwards. Portugal, however, is but a very small part of Europe, and the declension of Spain is not, perhaps, so great as is commonly imagined. In the beginning of the sixteenth century, Spain was a very poor country, even in comparison with France, which has been so much improved since that time. It was the well-known remark of the Emperor Charles V., who had travelled so frequently through both countries, that every thing abounded in France, but that every

[1] Solorzano, vol. ii.

[2] Potosi can no longer claim this distinction. The mines of Guanaxuato, in Mexico, discovered in 1760, have been nearly twice as productive as those of Potosi. See Humboldt, Essai Politique sur la Nouvelle Espagne, tome iii. p. 377.

thing was wanting in Spain. The increasing produce of the agriculture and manufactures of Europe must necessarily have required a gradual increase in the quantity of silver coin to circulate it; and the increasing number of wealthy individuals must have required the like increase in the quantity of their plate and other ornaments of silver.

Secondly, America is itself a new market for the produce of its own silver mines; and as its advances in agriculture, industry, and population are much more rapid than those of the most thriving countries in Europe, its demand must increase much more rapidly. The English colonies are altogether a new market, which, partly for coin and partly for plate, requires a continually augmenting supply of silver through a great continent where there never was any demand before. The greater part, too, of the Spanish and Portuguese colonies are altogether new markets. New Grenada, the Yucatan, Paraguay, and the Brazils were, before discovered by the Europeans, inhabited by savage nations, who had neither arts nor agriculture. A considerable degree of both has now been introduced into all of them. Even Mexico and Peru, though they cannot be considered as altogether new markets, are certainly much more extensive ones than they ever were before. After all the wonderful tales which have been published concerning the splendid state of those countries in ancient times, whoever reads, with any degree of sober judgment, the history of their first discovery and conquest, will evidently discern that in arts, agriculture, and commerce, their inhabitants were much more ignorant than the Tartars of the Ukraine are at present. Even the Peruvians, the more civilized nation of the two, though they made use of gold and silver as ornaments, had no coined money of any kind. Their whole commerce was carried on by barter, and there was accordingly scarce any division of labour among them. Those who cultivated the ground were obliged to build their own houses, to make their own household furniture, their own clothes, shoes, and instruments of agriculture. The few artificers among them are said to have been all maintained by the sovereign, the nobles, and the priests, and were probably their servants or slaves. All the ancient arts of Mexico and Peru have never furnished one single manufacture to Europe. The Spanish armies, though they scarce ever exceeded five hundred men, and frequently did not amount to half that number, found almost everywhere great difficulty in procuring subsistence. The famines which they are said to have occasioned almost wherever they went, in countries, too, which at the same time are represented as very populous and well-cultivated, sufficiently demonstrate that the story of this populousness and high cultivation is in a great measure fabulous. The Spanish colonies are under a government in many respects less favourable to agriculture, improvement, and population, than that of the English colonies. They seem, however, to be advancing in all these much more rapidly than any country in Europe. In a fertile soil and happy climate, the great abundance and cheapness of land, a circumstance common to all new colonies, is, it seems, so great an advantage as to compensate many defects in civil government. Frezier, who visited Peru in 1713, represents Lima as containing between twenty-five and twenty-eight thousand inhabitants. Ulloa, who resided in the same country between 1740 and 1746, represents it as containing more than fifty thousand. The difference in their accounts of the populousness of several other principal towns in Chili and Peru is nearly the same; and as there seems to be no reason to doubt of the good information of either, it marks an increase which is scarce inferior to that of the English colonies. America, therefore, is a new market for the produce of its own silver mines, of which the demand must increase much more rapidly than that of the most thriving country in Europe.

Thirdly, The East Indies is another market for the produce of the silver mines of America, and a market which, from the time of the first discovery of those mines, has been continually taking off a greater and a greater quantity of silver. Since that time, the direct trade between America and the East Indies, which is carried on by means of the Acapulco ships, has been continually augmenting, and the indirect intercourse by the way of Europe, has been augmenting in a still greater proportion. During the sixteenth century, the Portuguese were the only European nation who carried on any regular trade to the East Indies. In the last years of that century the Dutch began to encroach upon this monopoly, and in a few years expelled them from their principal settlements in India. During the greater part of the last century those two nations divided the most considerable part of the East India trade between them; the trade of the Dutch continually augmenting in a still greater proportion than that of the Portuguese declined. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. The East India trade of the Swedes and Danes began in the course of the present century. Even the Muscovites now trade regularly with China by a sort of caravans which go over land through Siberia and Tartary to Pekin. The East India trade of all these nations, if we except that

of the French, which the last war had well nigh annihilated, has been almost continually augmenting. The increasing consumption of East India goods in Europe is, it seems, so great, as to afford a gradual increase of employment to them all. Tea, for example, was a drug very little used in Europe before the middle of the last century. At present the value of the tea annually imported by the English East India Company, for the use of their own countrymen, amounts to more than a million and a half a year; and even this is not enough; a great deal more being constantly smuggled into the country from the ports of Holland, from Gottenburg in Sweden, and from the coast of France too, as long as the French East India Company was in prosperity.[1] The consumption of the porcelain of China, of the spiceries of the Moluccas, of the piece goods of Bengal, and of innumerable other articles, has increased very nearly in a like proportion. The tonnage accordingly of all the European shipping employed in the East India trade, at any one time during the last century, was not, perhaps, much greater than that of the English East India Company before the late reduction of their shipping.

But in the East Indies, particularly in China and Indostan, the value of the precious metals, when the Europeans first began to trade to those countries, was much higher than in Europe; and it still continues to be so. In rice countries, which generally yield two, sometimes three crops in the year, each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent. Such countries are accordingly much more populous. In them too the rich, having a greater superabundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe. The same superabundance of food of which they have the disposal, enables them to give a greater quantity of it for all those singular and rare productions which nature furnishes but in very small quantities; such as the precious metals and the precious stones, the great objects of the competition of the rich. Though the mines, therefore, which supplied the Indian market had been as abundant as those which supplied the European, such commodities would naturally exchange for a greater quantity of food in India than in Europe. But the mines which supplied the Indian market with the precious metals seem to have been a good deal less abundant, and those which supplied it with the precious stones a good deal more so, than the mines which supplied the European. The precious metals, therefore, would naturally exchange in India for somewhat a greater quantity of the precious stones and for a much greater quantity of food than in Europe. The money price of diamonds, the greatest of all superfluities, would be somewhat lower, and that of food, the first of all necessaries, a great deal lower in the one country than in the other. But the real price of labour, the real quantity of the necessaries of life which is given to the labourer, it has already been observed, is lower both in China and Indostan, the two great markets of India, than it is through the greater part of Europe. The wages of the labourer will there purchase a smaller quantity of food; and as the money price of food is much lower in India than in Europe, the money price of labour is there lower upon a double account; upon account both of the small quantity of food which it will purchase, and of the low price of that food. But in countries of equal art and industry, the money price of the greater part of manufactures will be in proportion to the money price of labour; and in manufacturing art and industry, China and Indostan, though inferior, seem not to be much inferior to any part of Europe. The money price of

[1] The consumption of tea has been greatly increased since 1775. The quantity legally imported during the 3 years ending with 1783, amounted to about 5½ millions lbs. a year; but in addition to this, a farther quantity of above 7½ millions lbs. was clandestinely imported, making the whole annual imports amount to about 13 millions lbs. This excess of smuggling was entirely a consequence of the too high duties on tea: and in 1784, after every other resource had in vain been tried for its suppression, Mr. Pitt reduced the duties from 119 to 12½ per cent. *ad valorem*. This measure was eminently successful. Smuggling having ceased to be lucrative, was immediately abandoned; and the legal imports of tea were trebled in less than 2 years! Its consumption continued to increase with considerable rapidity until 1800; but from that period to 1817 it remained pretty stationary, a consequence principally of the great additions made to the duty during the interval; but partly, also, of the way in which the E. I. Company supplied the market. From 1817, when the consumption of Great Britain and Ireland amounted to about 24 millions pounds, it gradually went on increasing till 1833, when it amounted to 31,829,620 lbs. In 1834 the trade with China was thrown open; and when this was done the duties were fixed at 1*s.* 6*d.*, 2*s.* 2*d.*, and 3*s.* per lb., according to quality. But it was alleged that it was practically impossible to discriminate between the teas on which different duties should be charged, and that sometimes the inferior qualities were made to pay the high, and the superior qualities the low duty. To obviate these objections it was determined, in 1836, to impose a duty of 2*s.* 1*d.*, increased in 1840, to 2*s.* 2½*d.* on all teas without regard to their quality or value. But though it may have been necessary to equalise the duties, nothing can excuse the magnitude of this single duty by which they were replaced, which was beyond a doubt the most oppressive in our tariff. It was, however, reduced in 1852; and from 1857 it amounted to 1*s.* 5*d.* per lb. down to the present year (1863), when it was reduced to 1*s.*, which is as low as can well be desired. The entries for consumption have increased from 36,574,004 lbs., in 1835 to 51,172,382 do. in 1850, and to 77,927,749 do. in 1861, producing 5,519,822*l.* nett revenue, being the most extraordinary instance in the history of the world of the all but universal consumption of an article brought from a foreign and a distant country. (For full details with respect to the history of the tea trade and the consumption of tea, see Article Tea in Commercial Dictionary.)

the greater part of manufactures, therefore, will naturally be much lower in those great empires than it is anywhere in Europe. Through the greater part of Europe, too, the expense of land-carriage increases very much both the real and nominal price of most manufactures. It costs more labour, and therefore more money, to bring first the materials, and afterwards the complete manufacture to market. In China and Indostan the extent and variety of inland navigations save the greater part of this labour, and consequently of this money, and thereby reduce still lower both the real and the nominal price of the greater part of their manufactures. Upon all these accounts, the precious metals are a commodity which it always has been, and still continues to be, extremely advantageous to carry from Europe to India.[1] There is scarce any commodity which brings a better price there; or which, in proportion to the quantity of labour and commodities which it costs in Europe, will purchase or command a greater quantity of labour and commodities in India. It is more advantageous too to carry silver thither than gold; because in China, and the greater part of the other markets of India, the proportion between fine silver and fine gold is but as ten, or at most as twelve to one; whereas in Europe it is as fourteen or fifteen to one. In China and the greater part of the other markets of India, ten, or at most twelve, ounces of silver will purchase an ounce of gold: in Europe it requires from fourteen to fifteen ounces. In the cargoes, therefore, of the greater part of European ships which sail to India, silver has generally been one of the most valuable articles. It is the most valuable article in the Acapulco ships which sail to Manilla. The silver of the new continent seems in this manner to be one of the principal commodities by which the commerce between the two extremities of the old one is carried on, and it is by means of it, in a great measure, that those distant parts of the world are connected with one another.

In order to supply so very widely extended a market, the quantity of silver annually brought from the mines must not only be sufficient to support that continual increase both of coin and of plate which is required in all thriving countries; but to repair that continual waste and consumption of silver which takes place in all countries where that metal is used.

The continual consumption of the precious metals in coin by wearing, and in plate both by wearing and cleaning, is very sensible; and in commodities of which the use is so very widely extended, would alone require a very great annual supply. The consumption of those metals in some particular manufactures, though it may not perhaps be greater upon the whole than this gradual consumption, is, however, much more sensible, as it is much more rapid. In the manufactures of Birmingham alone, the quantity of gold and silver annually employed in gilding and plating, and thereby disqualified from ever afterwards appearing in the shape of those metals, is said to amount to more than fifty thousand pounds sterling. We may from thence form some notion how great must be the annual consumption in all the different parts of the world, either in manufactures of the same kind with those of Birmingham, or in laces, embroideries, gold and silver stuffs, the gilding of books, furniture, &c. A considerable quantity too must be annually lost in transporting those metals from one place to another both by sea and by land. In the greater part of the governments of Asia, besides, the almost universal custom of concealing treasures in the bowels of the earth, of which the knowledge frequently dies with the person who makes the concealment, must occasion the loss of a still greater quantity.

The quantity of gold and silver imported at both Cadiz and Lisbon (including not only what comes under register, but what may be supposed to be smuggled) amounts, according to the best accounts, to about six millions sterling a year.

According to Mr. Meggens,[1] the annual importation of the precious metals into Spain, at an average of six years, viz. from 1748 to 1753, both inclusive; and into Portugal, at an average of seven years, viz. from 1747 to 1753, both inclusive; amounted in silver to 1,101,107 pounds weight; and in gold to 49,940 pounds weight. The silver at sixty-two shillings the pound Troy, amounts to 3,413,431*l.* 10*s.* sterling. The gold, at forty-four guineas and a half the pound Troy, amounts to 2,333,446*l.* 14*s.* sterling. Both together amount to 5,746,878*l.* 4*s.* sterling. The account of what was imported under register, he assures us is exact. He gives us the detail of the particular places from which the gold and silver were brought, and of the particular quantity of each metal, which, according to the register, each of them afforded. He makes an allowance too for the quantity of each metal which he supposes may have been smuggled. The great experience of this judicious merchant renders his opinion of considerable weight.

According to the eloquent and sometimes well-informed author of the Philosophical and Political History of the Establishment of the Europeans in the two Indies, the annual importation of registered gold and silver into Spain, at an average of eleven

[1] Humboldt estimates, that of the sum of 43,500,000 dollars of gold and silver annually brought from America to Europe previously to the revolutionary convulsions in the former, no less than 25,500,000 were subsequently exported to Asia; viz.:—4,000,000 by the Levant; 17,500,000 by the route round the Cape of Good Hope; and 4,000,000 through Russia by way of Kiachta, Tobolsk, &c.—See *Essai Politique sur la Nouvelle Espagne*, iv. p. 278.

[1] Postscript to the Universal Merchant, p. 15 and 16. This postscript was not printed till 1756, three years after the publication of the book, which has never had a second edition. The postscript is, therefore, to be found in few copies; it corrects several errors in the book.—(Note by the Author.)

years, viz. from 1754 to 1764, both inclusive, amounted to 13,984,185¾ piasters of ten reals. On account of what may have been smuggled, however, the whole annual importation, he supposes, may have amounted to seventeen millions of piasters; which at 4s. 6d. the piaster, is equal to 3,825,000*l.* sterling. He gives the detail too of the particular places from which the gold and silver were brought, and of the particular quantities of each metal which, according to the register, each of them afforded. He informs us too, that if we were to judge of the quantity of gold annually imported from the Brazils into Lisbon by the amount of the tax paid to the king of Portugal, which it seems is one-fifth of the standard metal, we might value it at eighteen millions of cruzadoes, or forty-five millions of French livres, equal to about two millions sterling. On account of what may have been smuggled, however, we may safely, he says, add to this sum an eighth more, or 250,000*l.* sterling, so that the whole will amount to 2,250,000*l.* sterling. According to this account, therefore, the whole annual importation of the precious metals into both Spain and Portugal, amounts to about 6,075,000*l.* sterling.

Several other very well authenticated, though manuscript, accounts, I have been assured, agree, in making this whole annual importation amount at an average to about six millions sterling; sometimes a little more, sometimes a little less.[1]

The annual importation of the precious metals into Cadiz and Lisbon, indeed, is not equal to the whole annual produce of the mines of America. Some part is sent annually by the Acapulco ships to Manilla; some part is employed in the contraband trade which the Spanish colonies carry on with those of other European nations; and some part, no doubt, remains in the country. The mines of America, besides, are by no means the only gold and silver mines in the world. They are, however, by far the most abundant. The produce of all the other mines which are known, is insignificant, it is acknowledged, in comparison with theirs; and the far greater part of their produce, it is likewise acknowledged, is annually imported into Cadiz and Lisbon. But the consumption of Birmingham alone, at the rate of fifty thousand pounds a year, is equal to the hundred-and-twentieth part of this annual importation at the rate of six millions a year. The whole annual consumption of gold and silver, therefore, in all the different countries of the world where those metals are used, may perhaps be nearly equal to the whole annual produce. The remainder may be no more than sufficient to supply the increasing demand of all thriving countries. It may even have fallen so far short of this demand as somewhat to raise the price of those metals in the European market.[1]

The quantity of brass and iron annually brought from the mine to the market is out

[1] The researches of M. Humboldt show that the importation of gold and silver from America was considerably greater when the "Wealth of Nations" was published (1776) than Smith supposed, and that it continued to increase down to the commencement of the revolutionary disturbances.

According to Humboldt, the annual produce of the American mines, at the commencement of the present century, amounted to 17,291 kilog. (46,349 lbs. Troy) of gold, and 795,581 kilog. (2,132,157 lbs. Troy) of silver, the value of the two being 43 500 000 dollars; or (taking the dollar at 4*s.* 3*d.*) 9,213,750*l.* Humboldt farther estimated the annual produce of the European mines and those of N. Asia at about a million more.

But the revolutionary struggles which began in 1810 to disturb S. America and Mexico occasioned a great falling off in the supplies of the precious metals from these countries; these being estimated in 1829 at less than half the quantity mentioned by Humboldt. (Jacob's Historical Inquiry into the Consumption of the Precious Metals, ii. p. 267.) This falling off was in part compensated by a large increase in the gold and silver obtained from Russia; and there was also a considerable decrease in the exports to the East.

But more recently, or since 1848 and 1851, when the Californian and Australian gold fields were discovered, there has been an extraordinary increase in the supply of the precious metals. The richness of the fields in question has exceeded anything that could previously have been imagined. The supplies from both sources have in some years considerably exceeded 22,000 000*l.*; and though they are now a good deal reduced, they may still (1863) amount to 15 or 16 millions, to which have to be added the supplies from other parts of America, Russia (which have declined), and other parts of Europe.

Considering the lengthened period during which this immense influx of bullion has been going on, it might have been supposed that it would have had a powerful influence over prices, and that they would have been greatly increased. But such does not appear to be the case; and no sufficient evidence has yet been, or, we believe, can be produced, to show that the value of gold has fallen, or that prices have risen. This unexpected result is to be accounted for partly by the greatly increased consumption of the precious metals, owing to the vast extension of the field over which they are now spread, and partly, and principally, to the immense demand for them in India and China. India has always formed, as it were, an abyss in which the precious metals have been engulphed, and from which they have never afterwards escaped; and owing to the imports from that country and China having of late years largely exceeded the exports of ordinary merchandise to them, there has been a corresponding demand for bullion.

In proof of what has now been stated, we beg to subjoin an account, which is believed to be nearly accurate, of the respective and total values of the gold and silver exported from the United Kingdom and the Mediterranean ports to the east, during each of the 10 years ending with 1862:

Years.	Gold.	Silver.	Total.
	£	£	£
1853	973,730	5,559,027	6,532,757
1854	1,222,755	4,583,017	5,805,772
1855	1,191,511	7,934,129	9,125 640
1856	478,788	14,108,901	14,587,689
1857	529,261	20 146,921	20,676,182
1858	334,535	6,692,966	6,026 501
1859	930,413	16,350,491	17,280 904
1860	2,434,884	10,802,330	13,237,214
1861	1,428,477	8,859,352	10,287,829
1862	3,120,653	14,037,732	17,158,385
Totals	12,644,007	108,073,866	120,717,873*

* From the report of Mr. James Low, 26th December 1862.

of all proportion greater than that of gold and silver. We do not, however, upon this account, imagine that those coarse metals are likely to multiply beyond the demand, or to become gradually cheaper and cheaper. Why should we imagine that the precious metals are likely to do so? The coarse metals, indeed, though harder, are put to much harder uses; and, as they are of less value, less care is employed in their preservation. The precious metals, however, are not necessarily immortal any more than they, but are liable too to be lost, wasted, and consumed in a great variety of ways.

The price of all metals, though liable to slow and gradual variations, varies less from year to year than that of almost any other part of the rude produce of land; and the price of the precious metals is even less liable to sudden variations than that of the coarse ones. The durableness of metals is the foundation of this extraordinary steadiness of price. The corn which was brought to market last year, will be all or almost all consumed long before the end of this year But some part of the iron which was brought from the mine two or three hundred years ago, may be still in use, and perhaps some part of the gold which was brought from it two or three thousand years ago. The different masses of corn which in different years must supply the consumption of the world, will always be nearly in proportion to the respective produce of those different years. But the proportion between the different masses of iron which may be in use in two different years will be very little affected by any accidental difference in the produce of the iron mines of those two years; and the proportion between the masses of gold will be still less affected by any such difference in the produce of the gold mines. Though the produce of the greater part of metallic mines, therefore, varies perhaps still more from year to year than that of the greater part of corn fields, those variations have not the same effect upon the price of the one species of commodities as upon that of the other.

Variations in the Proportion between the respective Values of Gold and Silver.

BEFORE the discovery of the mines of America, the value of fine gold to fine silver was regulated in the different mints of Europe, between the proportions of one to ten and one to twelve; that is, an ounce of fine gold was supposed to be worth from ten to twelve ounces of fine silver. About the middle of the last century, it came to be regulated, between the proportions of one to fourteen and one to fifteen; that is, an ounce of fine gold came to be supposed worth between fourteen and fifteen ounces of fine silver. Gold rose in its nominal value, or in the quantity of silver which was given for it. Both metals sunk in their real value, or in the quantity of labour which they could purchase; but silver sunk more than gold. Though both the gold and silver mines of America exceeded in fertility all those which had ever been known before, the fertility of the silver mines had, it seems, been proportionably still greater than that of the gold ones.

The great quantities of silver carried annually from Europe to India, have, in some of the English settlements, gradually reduced the value of that metal in proportion to gold. In the mint of Calcutta, an ounce of fine gold is supposed to be worth fifteen ounces of fine silver, in the same manner as in Europe It is in the mint, perhaps, rated too high for the value which it bears in the market of Bengal. In China, the proportion of gold to silver still continues as one to ten, or one to twelve. In Japan, it is said to be as one to eight.

The proportion between the quantities of gold and silver annually imported into Europe, according to Mr. Meggens's account, is as one to twenty-two nearly; that is, for one ounce of gold there are imported a little more than twenty-two ounces of silver. The great quantity of silver sent annually to the East Indies, reduces, he supposes, the quantities of those metals which remain in Europe to the proportion of one to fourteen or fifteen, the proportion of their values. The proportion between their values, he seems to think, must necessarily be the same as that between their quantities, and would therefore be as one to twenty-two, were it not for this greater exportation of silver.

But the ordinary proportion between the respective values of two commodities, is not necessarily the same as that between the quantities of them which are commonly in the market.[1] The price of an ox, reckoned at ten guineas, is about three score times the

And this is exclusive of considerable quantities that find their way to the same destination through Russia and Turkey, and direct from California and Australia.

In whatever way explained, it may be unhesitatingly affirmed that hitherto the extraordinary increase in the imports of gold and silver, especially the former, has had very little, if any, influence over their values. But it is impossible to say how long this equality of value may be preserved. When, however, money falls in value, all fixed payments, such as rents, taxes, annuities, the interest of bonds and mortgages, and so forth, which have to be made by the industrial classes, are proportionally reduced, while the prices of their products and services are proportionally increased. They, therefore, are certain gainers by such a change; and their prosperity being uniformly held to be identical with that of the community, it results that, if the precious metals should eventually fall in value, through the continued increase of the supply, such fall will be publicly advantageous. (See Article on the Precious Metals in the 8th edition of the Encyclopædia Britannica, and the Treatise on Taxation by the editor of this work, 3rd ed., pp. 387–399.)

1 The proportion between the average values of any number of non monopolised commodities depends upon the comparative *cost of their production*, and not on the

price of a lamb, reckoned at 3*s.* 6*d.* It would be absurd, however, to infer from thence, that there are commonly in the market threescore lambs for one ox; and it would be just as absurd to infer, because an ounce of gold will commonly purchase from fourteen to fifteen ounces of silver, that there are commonly in the market only fourteen or fifteen ounces of silver for one ounce of gold.

The quantity of silver commonly in the market, it is probable, is much greater in proportion to that of gold, than the value of a certain quantity of gold is to that of an equal quantity of silver. The whole quantity of a cheap commodity brought to market, is commonly not only greater, but of greater value, than the whole quantity of a dear one. The whole quantity of bread annually brought to market, is not only greater, but of greater value than the whole quantity of butcher's meat; the whole quantity of butcher's meat than the whole quantity of poultry; and the whole quantity of poultry than the whole quantity of wild fowl. There are so many more purchasers for the cheap than for the dear commodity, that, not only a greater quantity of it, but a greater value, can commonly be disposed of. The whole quantity, therefore, of the cheap commodity must commonly be greater in proportion to the whole quantity of the dear one, than the value of a certain quantity of the dear one is to the value of an equal quantity of the cheap one. When we compare the precious metals with one another silver is a cheap, and gold a dear commodity. We ought naturally to expect, therefore, that there should always be in the market, not only a greater quantity, but a greater value of silver than of gold. Let any man, who has a little of both, compare his own silver with his gold plate, and he will probably find, that not only the quantity, but the value of the former greatly exceeds that of the latter. Many people, besides, have a good deal of silver who have no gold plate, which, even with those who have it, is generally confined to watch-cases, snuff-boxes, and such like trinkets, of which the whole amount is seldom of great value. In the British coin, indeed, the value of the gold preponderates greatly, but it is not so in that of all countries. In the coin of some countries, the value of the two metals is nearly equal. In the Scotch coin, before the union with England, the gold preponderated very little, though it did somewhat,[1] as it appears by the accounts of the mint. In the coin of many countries, the silver preponderates. In France, the largest sums are commonly paid in that metal, and it is there difficult to get more gold than what is necessary to carry about in your pocket. The superior value, however, of the silver plate above that of the gold, which takes place in all countries, will much more than compensate the preponderancy of the gold coin above the silver, which takes place only in some countries.

Though, in one sense of the word, silver always has been, and probably always will be, much cheaper than gold, yet, in another sense, gold may, perhaps, in the present state of the Spanish market, be said to be somewhat cheaper than silver. A commodity may be said to be dear or cheap, not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit. But, in the present state of the Spanish market, gold is certainly somewhat nearer to this lowest price than silver. The tax of the King of Spain upon gold is only one-twentieth part of the standard metal, or five per cent.; whereas his tax upon silver amounts to one-tenth part of it, or to ten per cent. In these taxes, too, it has already been observed, consists the whole rent of the greater part of the gold and silver mines of Spanish America; and that upon gold is still worse paid than that upon silver. The profits of the undertakers of gold mines, too, as they more rarely make a fortune, must, in general, be still more moderate than those of the undertakers of silver mines. The price of Spanish gold, therefore, as it affords both less rent and less profit, must, in the Spanish market, be somewhat nearer to the lowest price for which it is possible to bring it thither, than the price of Spanish silver. When all expenses are computed, the whole quantity of the one metal, it would seem, cannot in the Spanish market, be disposed of so advantageously as the whole quantity of the other. The tax, indeed, of the King of Portugal upon the gold of the Brazils, is the same with the ancient tax of the King of Spain upon the silver of Mexico and Peru; or one-fifth part of the standard metal. It

quantities brought to market. If it require fourteen or fifteen times the labour and expense to produce a pound of gold that is required to produce a pound of silver, the value of the former will be fourteen or fifteen times greater than that of the latter, and this, whether the quantity of silver brought to market should be ten or twenty times more or less than the quantity of gold.—See *Principles of Political Economy*, p. 310, 2d edit.

[1] See Ruddiman's Preface to Anderson's Diplomata &c. Scotiæ.

may, therefore, be uncertain whether to the general market of Europe the whole mass of American gold comes at a price nearer to the lowest for which it is possible to bring it thither, than the whole mass of American silver.

The price of diamonds and other precious stones, may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold.

Though it is not very probable that any part of a tax, which is not only imposed upon one of the most proper subjects of taxation, a mere luxury and superfluity, but which affords so very important a revenue, as the tax upon silver, will ever be given up as long as it is possible to pay it; yet the same impossibility of paying it, which, in 1736, made it necessary to reduce it from one-fifth to one-tenth, may, in time, make it necessary to reduce it still further; in the same manner as it made it necessary to reduce the tax upon gold to one-twentieth. That the silver mines of Spanish America, like all other mines, become gradually more expensive in the working, on account of the greater depths at which it is necessary to carry on the works, and of the greater expense of drawing out the water and of supplying them with fresh air at those depths, is acknowledged by every body who has inquired into the state of those mines.

These causes, which are equivalent to a growing scarcity of silver (for a commodity may be said to grow scarcer when it becomes more difficult and expensive to collect a certain quantity of it), must, in time, produce one or other of the three following events. The increase of the expense must either, first, be compensated altogether by a proportionable increase in the price of the metal; or, secondly, it must be compensated altogether by a proportionable diminution of the tax upon silver; or, thirdly, it must be compensated partly by the one, and partly by the other of those two expedients. This third event is very possible. As gold rose in its price in proportion to silver, notwithstanding a great diminution of the tax upon gold; so silver might rise in its price in proportion to labour and commodities, notwithstanding an equal diminution of the tax upon silver.

Such successive reductions of the tax, however, though they may not prevent altogether, must, certainly, retard more or less the rise of the value of silver in the European market. In consequence of such reductions, many mines may be wrought which could not be wrought before, because they could not afford to pay the old tax; and the quantity of silver annually brought to market must always be somewhat greater, and, therefore, the value of any given quantity somewhat less, than it otherwise would have been. In consequence of the reduction in 1736, the value of silver in the European market, though it may not at this day be lower than before that reduction, is, probably, at least ten per cent. lower than it would have been, had the Court of Spain continued to exact the old tax.

That, notwithstanding this reduction, the value of silver has, during the course of the present century, begun to rise somewhat in the European market, the facts and arguments which have been alleged above, dispose me to believe, or more properly to suspect and conjecture; for the best opinion which I can form upon this subject scarce, perhaps, deserves the name of belief. The rise, indeed, supposing there has been any, has hitherto been so very small, that after all that has been said, it may, perhaps, appear to many people uncertain, not only whether this event has actually taken place; but whether the contrary may not have taken place, or whether the value of silver may not still continue to fall in the European market.

It must be observed, however, that whatever may be the supposed annual importation of gold and silver, there must be a certain period, at which the annual consumption of those metals will be equal to that annual importation. Their consumption must increase as their mass increases, or rather in a much greater proportion. As their mass increases, their value diminishes. They are more used, and less cared for, and their consumption consequently increases in a greater proportion than their mass. After a certain period, therefore, the annual consumption of those metals must, in this manner, become equal to their annual importation, provided that importation is not continually increasing; which, in the present times, is not supposed to be the case.

If, when the annual consumption has become equal to the annual importation, the annual importation should gradually diminish, the annual consumption may, for some time, exceed the annual importation. The mass of those metals may gradually and insensibly diminish, and their value gradually and insensibly rise, till the annual importation becoming again stationary, the annual consumption will gradually and insensibly accommodate itself to what that annual importation can maintain.

Grounds of the Suspicion that the Value of Silver still continues to decrease.

THE increase of the wealth of Europe, and the popular notion that, as the quantity of the precious metals naturally increases with the increase of wealth, so their value diminishes as their quantity increases, may, per-

haps, dispose many people to believe that their value still continues to fall in the European market; and the still gradually increasing price of many parts of the rude produce of land may confirm them still further in this opinion.

That that increase in the quantity of the precious metals, which arises in any country from the increase of wealth, has no tendency to diminish their value, I have endeavoured to show already. Gold and silver naturally resort to a rich country, for the same reason that all sorts of luxuries and curiosities resort to it; not because they are cheaper there than in poorer countries, but because they are dearer, or because a better price is given for them. It is the superiority of price which attracts them, and as soon as that superiority ceases, they necessarily cease to go thither.

If you except corn and such other vegetables as are raised altogether by human industry, that all other sorts of rude produce, cattle, poultry, game of all kinds, the useful fossils and minerals of the earth, &c. naturally grow dearer as the society advances in wealth and improvement, I have endeavoured to show already. Though such commodities, therefore, come to exchange for a greater quantity of silver than before, it will not from thence follow that silver has become really cheaper, or will purchase less labour than before, but that such commodities have become really dearer, or will purchase more labour than before. It is not their nominal price only, but their real price which rises in the progress of improvement. The rise of their nominal price is the effect, not of any degradation of the value of silver, but of the rise in their real price.

Different Effects of the Progress of Improvement upon three different Sorts of rude Produce.

These different sorts of rude produce may be divided into three classes. The first comprehends those which it is scarce in the power of human industry to multiply at all. The second, those which it can multiply in proportion to the demand. The third, those in which the efficacy of industry is either limited or uncertain. In the progress of wealth and improvement, the real price of the first may rise to any degree of extravagance, and seems not to be limited by any certain boundary. That of the second, though it may rise greatly, has, however, a certain boundary beyond which it cannot well pass for any considerable time together. That of the third, though its natural tendency is to rise in the progress of improvement, yet in the same degree of improvement it may sometimes happen even to fall, sometimes to continue the same, and sometimes to rise more or less, according as different accidents render the efforts of human industry, in multiplying this sort of rude produce, more or less successful.

First Sort.

The first sort of rude produce of which the price rises in the progress of improvement, is that which it is scarce in the power of human industry to multiply at all. It consists in those things which nature produces only in certain quantities, and which being of a very perishable nature, it is impossible to accumulate together the produce of many different seasons. Such are the greater part of rare and singular birds and fishes, many different sorts of game, almost all wild fowl, all birds of passage in particular, as well as many other things. When wealth and the luxury which accompanies it increase, the demand for these is likely to increase with them, and no effort of human industry may be able to increase the supply much beyond what it was before this increase of the demand. The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance, and seems not to be limited by any certain boundary. If woodcocks should become so fashionable as to sell for twenty guineas a-piece, no effort of human industry could increase the number of those brought to market, much beyond what it is at present. The high price paid by the Romans, in the time of their greatest grandeur, for rare birds and fishes, may in this manner easily be accounted for. These prices were not the effects of the low value of silver in those times, but of the high value of such rarities and curiosities as human industry could not multiply at pleasure. The real value of silver was higher at Rome, for some time before and after the fall of the republic, than it is through the greater part of Europe at present. Three sestertii, equal to about sixpence sterling, was the price which the republic paid for the modius or peck of the tithe wheat of Sicily. This price, however, was probably below the average market price, the obligation to deliver their wheat at this rate being considered as a tax upon the Sicilian farmers. When the Romans, therefore, had occasion to order more corn than the tithe of wheat amounted to, they were bound by capitulation to pay for the surplus at the rate of four sestertii, or eightpence sterling, the peck; and this had probably been reckoned the moderate and reasonable, that is, the ordinary or average contract price of those times; it is equal to about one-and-twenty

shillings the quarter. Eight-and-twenty shillings the quarter was, before the late years of scarcity, the ordinary contract price of English wheat, which in quality is inferior to the Sicilian, and generally sells for a lower price in the European market. The value of silver, therefore, in those ancient times, must have been to its value in the present, as three to four inversely; that is, three ounces of silver would then have purchased the same quantity of labour and commodities which four ounces will do at present. When we read in Pliny, therefore, that Seius[1] bought a white nightingale, as a present for the empress Agrippina, at the price of six thousand sestertii, equal to about fifty pounds of our present money; and that Asinius Celer[2] purchased a surmullet at the price of eight thousand sestertii, equal to about sixty-six pounds thirteen shillings and fourpence of our present money; the extravagance of those prices, how much soever it may surprise us, is apt, notwithstanding, to appear to us about one-third less than it really was. Their real price, the quantity of labour and subsistence which was given away for them, was about one-third more than their nominal price is apt to express to us in the present times. Seius gave for the nightingale the command of a quantity of labour and subsistence equal to what £66 13*s.* 4*d.* would purchase in the present times; and Asinius Celer gave for the surmullet the command of a quantity equal to what £88 17*s.* 9*d.* would purchase. What occasioned the extravagance of those high prices was, not so much the abundance of silver, as the abundance of labour and subsistence, of which those Romans had the disposal, beyond what was necessary for their own use. The quantity of silver, of which they had the disposal, was a good deal less than what the command of the same quantity of labour and subsistence would have procured to them in the present times.[3]

Second Sort.

The second sort of rude produce of which the price rises in the progress of improvement, is that which human industry can multiply in proportion to the demand. It consists in those useful plants and animals which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as any thing else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity.

When the price of cattle, for example, rises so high that it is as profitable to cultivate land in order to raise food for them, as in order to raise food for man, it cannot well go higher. If it did, more corn land would soon be turned into pasture. The extension of tillage, by diminishing the quantity of wild pasture, diminishes the quantity of butcher's meat which the country naturally produces without labour or cultivation, and by increasing the number of those who have either corn, or, what comes to the same thing, the price of corn, to give in exchange for it, increases the demand. The price of butcher's meat, therefore, and consequently of cattle, must gradually rise till it gets so high, that it becomes as profitable to employ the most fertile and best cultivated lands in raising food for them as in raising corn. But it must always be late in the progress of improvement before tillage can be so far extended as to raise the price of cattle to this height; and till it has got to this height, if the country is advancing at all, their price must be continually rising. There are, perhaps, some parts of Europe in which the price of cattle has not yet got to this height. It had not got to this height in any part of Scotland before the Union. Had the Scotch cattle been always confined to the market of Scotland, in a country in which the quantity of land, which can be applied to no other purpose but the feeding of cattle, is so great in proportion to what can be applied to other purposes, it is scarce possible, perhaps, that their price could ever have risen so high as to render it profitable to cultivate land for the sake of feeding them. In England, the price of cattle, it has already been observed, seems, in the neighbourhood of London, to have got to this height about the beginning of the last century; but it was much later probably before it got to it through the greater part of the remoter counties; in some of which, perhaps, it may scarce yet have got to it. Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height.

Till the price of cattle, indeed, has got to this height, it seems scarce possible that the greater part, even of those lands which are capable of the highest cultivation, can be

[1] Lib. x. c. 29. [2] Lib. ix. c. 17.

[3] See note, *antè*, p. 61.

completely cultivated. In all farms too distant from any town to carry manure from it, that is, in the far greater part of those of every extensive country, the quantity of well-cultivated land must be in proportion to the quantity of manure which the farm itself produces; and this again must be in proportion to the stock of cattle which are maintained upon it. The land is manured either by pasturing the cattle upon it, or by feeding them in the stable, and from thence carrying out their dung to it. But unless the price of the cattle be sufficient to pay both the rent and profit of cultivated land, the farmer cannot afford to pasture them upon it; and he can still less afford to feed them in the stable. It is with the produce of improved and cultivated land only, that cattle can be fed in the stable; because to collect the scanty and scattered produce of waste and unimproved lands would require too much labour and be too expensive. If the price of the cattle, therefore, is not sufficient to pay for the produce of improved and cultivated land, when they are allowed to pasture it, that price will be still less sufficient to pay for that produce when it must be collected with a good deal of additional labour, and brought into the stable to them. In these circumstances, therefore, no more cattle can, with profit, be fed in the stable than what are necessary for tillage. But these can never afford manure enough for keeping constantly in good condition all the lands which they are capable of cultivating. What they afford, being insufficient for the whole farm, will naturally be reserved for the lands to which it can be most advantageously or conveniently applied; the most fertile, or those, perhaps, in the neighbourhood of the farm-yard. These, therefore, will be kept constantly in good condition and fit for tillage. The rest will, the greater part of them, be allowed to lie waste, producing scarce any thing but some miserable pasture, just sufficient to keep alive a few straggling, half-starved cattle; the farm, though much understocked in proportion to what would be necessary for its complete cultivation, being very frequently overstocked in proportion to its actual produce. A portion of this waste land, however, after having been pastured in this wretched manner for six or seven years together, may be ploughed up, when it will yield perhaps, a poor crop or two of bad oats, or of some other coarse grain, and then, being entirely exhausted, it must be rested and pastured again as before, and another portion ploughed up, to be in the same manner exhausted and rested again in its turn. Such accordingly was the general system of management all over the low country of Scotland before the Union. The lands which were kept constantly well manured and in good condition, seldom exceeded a third or a fourth part of the whole farm, and sometimes did not amount to a fifth or a sixth part of it. The rest were never manured, but a certain portion of them was in its turn, notwithstanding, regularly cultivated and exhausted. Under this system of management, it is evident, even that part of the lands of Scotland which is capable of good cultivation, could produce but little in comparison of what it may be capable of producing. But how disadvantageous soever this system may appear, yet before the Union the low price of cattle seems to have rendered it almost unavoidable. If, notwithstanding a great rise in their price, it still continues to prevail through a considerable part of the country, it is owing, in many places, no doubt, to ignorance and attachment to old customs, but in most places to the unavoidable obstructions which the natural course of things opposes to the immediate or speedy establishment of a better system: first, to the poverty of the tenants, to their not having yet had time to acquire a stock of cattle sufficient to cultivate their lands more completely, the same rise of price which would render it advantageous for them to maintain a greater stock, rendering it more difficult for them to acquire it; and, secondly, to their not having yet had time to put their lands in condition to maintain this greater stock properly, supposing they were capable of acquiring it. The increase of stock and the improvement of land are two events which must go hand in hand, and of which the one can nowhere much outrun the other. Without some increase of stock, there can be scarce any improvement of land, but there can be no considerable increase of stock but in consequence of a considerable improvement of land; because otherwise the land could not maintain it. These natural obstructions to the establishment of a better system cannot be removed but by a long course of frugality and industry; and half a century, or a century more, perhaps, must pass away before the old system, which is wearing out gradually, can be completely abolished through all the different parts of the country. Of all the commercial advantages, however, which Scotland has derived from the union with England, this rise in the price of cattle is, perhaps, the greatest. It has not only raised the value of all highland estates, but it has, perhaps, been the principal cause of the improvement of the low country.[1]

In all new colonies the great quantity of

[1] The system of husbandry in Scotland has been vastly improved since the close of the American war. In all the lower districts of the country, it is now fully equal, if it be not superior to that of England. See *Statistical Account of the British Empire*, i. p. 552.

waste land, which can for many years be applied to no other purpose but the feeding of cattle, soon renders them extremely abundant, and in every thing great cheapness is the necessary consequence of great abundance. Though all the cattle of the European colonies in America were originally carried from Europe, they soon multiplied so much there, and became of so little value, that even horses were allowed to run wild in the woods without any owner thinking it worth while to claim them. It must be a long time after the first establishment of such colonies, before it can become profitable to feed cattle upon the produce of cultivated land. The same causes, therefore, the want of manure, and the disproportion between the stock employed in cultivation, and the land which it is destined to cultivate, are likely to introduce there a system of husbandry not unlike that which still continues to take place in so many parts of Scotland. Mr. Kalm, the Swedish traveller, when he gives an account of the husbandry of some of the English colonies in North America, as he found it in 1749, observes, accordingly, that he can with difficulty discover there the character of the English nation, so well skilled in all the different branches of agriculture. They make scarce any manure for their corn fields, he says; but when one piece of ground has been exhausted by continual cropping, they clear and cultivate another piece of fresh land; and when that is exhausted, proceed to a third. Their cattle are allowed to wander through the woods and other uncultivated grounds, where they are half-starved; having long ago extirpated almost all the annual grasses by cropping them too early in the spring, before they had time to form their flowers, or to shed their seeds.[1] The annual grasses were, it seems, the best natural grasses in that part of North America; and when the Europeans first settled there, they used to grow very thick, and to rise three or four feet high. A piece of ground which, when he wrote, could not maintain one cow, would in former times, he was assured, have maintained four, each of which would have given four times the quantity of milk which that one was capable of giving. The poorness of the pasture had, in his opinion, occasioned the degradation of their cattle, which degenerated sensibly from one generation to another. They were probably not unlike that stunted breed which was common all over Scotland thirty or forty years ago, and which is now so much mended through the greater part of the low country, not so much by a change of the breed, though that expedient has been employed in some places, as by a more plentiful method of feeding them

Though it is late, therefore, in the progress of improvement before cattle can bring such a price as to render it profitable to cultivate land for the sake of feeding them; yet of all the different parts which compose this second sort of rude produce, they are perhaps the first which bring this price; because till they bring it, it seems impossible that improvement can be brought near even to that degree of perfection to which it has arrived in many parts of Europe.

As cattle are among the first, so perhaps venison is among the last parts of this sort of rude produce which brings this price. The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all those who have had any experience in the feeding of deer. If it was otherwise, the feeding of deer would soon become an article of common farming; in the same manner as the feeding of those small birds called Turdi was among the ancient Romans. Varro and Columella assure us that it was a most profitable article. The fattening of ortolans, birds of passage which arrive lean in the country, is said to be so in some parts of France. If venison continues in fashion, and the wealth and luxury of Great Britain increase as they have done for some time past, its price may very probably rise still higher than it is at present.

Between that period in the progress of improvement which brings to its height the price of so necessary an article as cattle, and that which brings to it the price of such a superfluity as venison, there is a very long interval, in the course of which many other sorts of rude produce gradually arrive at their highest price, some sooner and some later, according to different circumstances.

Thus in every farm the offals of the barn and stables will maintain a certain number of poultry. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce any thing, so he can afford to sell them for very little. Almost all that he gets is pure gain, and their price can scarce be so low as to discourage him from feeding this number. But in countries ill cultivated, and, therefore, but thinly inhabited, the poultry which are thus raised without expense, are often fully sufficient to supply the whole demand. In this state of things, therefore, they are often as cheap as butcher's meat, or any other sort of animal food. But the whole quantity of poultry, which the farm in this manner produces without expense, must always be much smaller than the whole quantity of butcher's meat which is reared upon it; and in times of wealth and luxury what is rare, with only nearly equal merit, is always preferred to what is common. As wealth and luxury increase, therefore, in consequence of

[1] Kalm's Travels, vol. i. p. 343, 344.

improvement and cultivation, the price of poultry gradually rises above that of butcher's meat, till at last it gets so high that it becomes profitable to cultivate land for the sake of feeding them. When it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. In several provinces of France, the feeding of poultry is considered as a very important article in rural economy, and sufficiently profitable to encourage the farmer to raise a considerable quantity of Indian corn and buck-wheat for this purpose. A middling farmer will there sometimes have four hundred fowls in his yard. The feeding of poultry seems scarce yet to be generally considered as a matter of so much importance in England. They are certainly, however, dearer in England than in France, as England receives considerable supplies from France. In the progress of improvement, the period at which every particular sort of animal food is dearest, must naturally be that which immediately precedes the general practice of cultivating land for the sake of raising it. For some time before this practice becomes general, the scarcity must necessarily raise the price. After it has become general, new methods of feeding are commonly fallen upon, which enable the farmer to raise upon the same quantity of ground a much greater quantity of that particular sort of animal food. The plenty not only obliges him to sell cheaper, but in consequence of these improvements he can afford to sell cheaper; for if he could not afford it, the plenty would not be of long continuance. It has been probably in this manner that the introduction of clover, turnips, carrots, cabbages, &c. has contributed to sink the common price of butcher's meat in the London market somewhat below what it was about the beginning of the last century.

The hog, that finds his food among ordure and greedily devours many things rejected by every other useful animal, is, like poultry, originally kept as a save-all. As long as the number of such animals, which can thus be reared at little or no expense, is fully sufficient to supply the demand, this sort of butcher's meat comes to market at a much lower price than any other. But when the demand rises beyond what this quantity can supply, when it becomes necessary to raise food on purpose for feeding and fattening hogs, in the same manner as for feeding and fattening other cattle, the price necessarily rises, and becomes proportionably either higher or lower than that of other butcher's meat, according as the nature of the country and the state of its agriculture, happen to render the feeding of hogs more or less expensive than that of other cattle. In France, according to M. Buffon, the price of pork is nearly equal to that of beef. In most parts of Great Britain it is at present somewhat higher.

The great rise in the price both of hogs and poultry has in Great Britain been frequently imputed to the diminution of the number of cottagers and other small occupiers of land; an event which has in every part of Europe been the immediate forerunner of improvement and better cultivation, but which at the same time may have contributed to raise the price of those articles, both somewhat sooner and somewhat faster than it would otherwise have risen. As the poorest family can often maintain a cat or a dog, without any expense, so the poorest occupiers of land can commonly maintain a few poultry, or a sow and a few pigs, at very little. The little offals of their own table, their whey, skimmed milk and butter-milk, supply those animals with a part of their food, and they find the rest in the neighbouring fields without doing any sensible damage to any body. By diminishing the number of those small occupiers, therefore, the quantity of this sort of provisions which is thus produced at little or no expense, must certainly have been a good deal diminished, and their price must consequently have been raised both sooner and faster than it would otherwise have risen. Sooner or later, however, in the progress of improvement, it must at any rate have risen to the utmost height to which it is capable of rising; or to the price which pays the labour and expense of cultivating the land which furnishes them with food as well as these are paid upon the greater part of other cultivated land.

The business of the dairy, like the feeding of hogs and poultry, is originally carried on as a save-all. The cattle necessarily kept upon the farm, produce more milk than either the rearing of their own young or the consumption of the farmer's family requires; and they produce most at one particular season. But of all the productions of land, milk is, perhaps, the most perishable. In the warm season, when it is most abundant, it will scarce keep four-and-twenty hours. The farmer, by making it into fresh butter, stores a small part of it for a week; by making it into salt butter, for a year; and by making it into cheese, he stores a much greater part of it for several years. Part of all these is reserved for the use of his own family. The rest goes to market, in order to find the best price which is to be had, and which can scarce be so low as to discourage him from sending thither whatever is over and above the use of his own family. If it is very low, indeed, he will be likely to manage his dairy in a very slovenly and dirty manner, and will scarce, perhaps, think it worth while to have a

particular room or building on purpose for it, but will suffer the business to be carried on amidst the smoke, filth, and nastiness of his own kitchen; as was the case of almost all the farmers' dairies in Scotland thirty or forty years ago, and as is the case of many of them still. The same causes which gradually raise the price of butcher's meat, the increase of the demand, and, in consequence of the improvement of the country, the diminution of the quantity which can be fed at little or no expense, raise, in the same manner, that of the produce of the dairy, of which the price naturally connects with that of butcher's meat, or with the expense of feeding cattle. The increase of price pays for more labour, care, and cleanliness. The dairy becomes more worthy of the farmer's attention, and the quality of its produce gradually improves. The price at last gets so high, that it becomes worth while to employ some of the most fertile and best cultivated lands in feeding cattle merely for the purpose of the dairy; and when it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. It seems to have got to this height through the greater part of England, where much good land is commonly employed in this manner. If you except the neighbourhood of a few considerable towns, it seems not yet to have got to this height any where in Scotland, where common farmers seldom employ much good land in raising food for cattle merely for the purpose of the dairy. The price of the produce, though it has risen very considerably within these few years, is, probably, still too low to admit of it. The inferiority of the quality, indeed, compared with that of the produce of English dairies, is fully equal to that of the price. But this inferiority of quality is, perhaps, rather the effect of this lowness of price than the cause of it. Though the quality was much better, the greater part of what is brought to market could not, I apprehend, in the present circumstances of the country, be disposed of at a much better price; and the present price, it is probable, would not pay the expense of the land and labour necessary for producing a much better quality. Through the greater part of England, notwithstanding the superiority of price, the dairy is not reckoned a more profitable employment of land than the raising of corn, or the fattening of cattle, the two great objects of agriculture. Through the greater part of Scotland, therefore, it cannot yet be even so profitable.

The lands of no country, it is evident, can ever be completely cultivated and improved, till once the price of every produce, which human industry is obliged to raise upon them, has got so high as to pay for the expense of complete improvement and cultivation. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and, secondly, to pay the labour and expense of the farmer as well as they are commonly paid upon good corn land; or, in other words, to replace, with the ordinary profits, the stock which he employs about it. This rise in the price of each particular produce must evidently be previous to the improvement and cultivation of the land which is destined for raising it. Gain is the end of all improvement, and nothing could deserve that name of which loss was to be the necessary consequence. But loss must be the necessary consequence of improving land for the sake of a produce of which the price could never bring back the expense. If the complete improvement and cultivation of the country be, as it most certainly is, the greatest of all public advantages, this rise in the price of all those different sorts of rude produce, instead of being considered as a public calamity, ought to be regarded as the necessary forerunner and attendant of the greatest of all public advantages.

This rise, too, in the nominal or money price of all those different sorts of rude produce has been the effect, not of any degradation in the value of silver, but of a rise in their real price. They have become worth not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it costs a greater quantity of labour and subsistence to bring them to market, so, when they are brought thither, they represent or are equivalent to a greater quantity.

Third Sort.

The third and last sort of rude produce, of which the price naturally rises in the progress of improvement, is that in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain. Though the real price of this sort of rude produce, therefore, naturally tends to rise in the progress of improvement, yet, according as different accidents happen to render the efforts of human industry more or less successful in augmenting the quantity, it may happen sometimes even to fall, sometimes to continue the same in very different periods of improvement, and sometimes to rise more or less in the same period.[1]

There are some sorts of rude produce which nature has rendered a kind of appendages to other sorts; so that the quantity

[1] This is really the case with corn and every sort of raw produce. See note on Rent, end of the volume

of the one which any country can afford, is necessarily limited by that of the other. The quantity of wool or of raw hides, for example, which any country can afford, is necessarily limited by the number of great and small cattle that are kept in it. The state of its improvement, and the nature of its agriculture, again necessarily determine this number.

The same causes which, in the progress of improvement, gradually raise the price of butcher's meat, should have the same effect, it may be thought, upon the prices of wool and raw hides, and raise them too nearly in the same proportion. It probably would be so, if in the rude beginnings of improvement the market for the latter commodities was confined within as narrow bounds as that for the former. But the extent of their respective markets is commonly extremely different.

The market for butcher's meat is almost every where confined to the country which produces it. Ireland, and some part of British America, indeed, carry on a considerable trade in salt provisions; but they are, I believe, the only countries in the commercial world which do so, or which export to other countries any considerable part of their butcher's meat.

The market for wool and raw hides, on the contrary, is in the rude beginnings of improvement very seldom confined to the country which produces them. They can easily be transported to distant countries, wool without any preparation, and raw hides with very little: and as they are the materials of many manufactures, the industry of other countries may occasion a demand for them, though that of the country which produces them might not occasion any.

In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's meat. Mr. Hume observes, that in the Saxon times, the fleece was estimated at two fifths of the value of the whole sheep, and that this was much above the proportion of its present estimation. In some provinces of Spain, I have been assured, the sheep is frequently killed merely for the sake of the fleece and the tallow. The carcass is often left to rot upon the ground, or to be devoured by beasts and birds of prey. If this sometimes happens even in Spain, it happens almost constantly in Chili, at Buenos Ayres, and in many other parts of Spanish America, where the horned cattle are almost constantly killed merely for the sake of the hide and the tallow. This too used to happen almost constantly in Hispaniola, while it was infested by the Buccaneers, and before the settlement, improvement, and populousness of the French plantations (which now extend round the coast of almost the whole western half of the island) had given some value to the cattle of the Spaniards, who still continue to possess, not only the eastern part of the coast, but the whole inland and mountainous part of the country.

Though in the progress of improvement and population, the price of the whole beast necessarily rises, yet the price of the carcass is likely to be much more affected by this rise than that of the wool and the hide. The market for the carcass, being in the rude state of society confined always to the country which produces it, must necessarily be extended in proportion to the improvement and population of that country. But the market for the wool and the hides even of a barbarous country often extending to the whole commercial world, it can very seldom be enlarged in the same proportion. The state of the whole commercial world can seldom be much affected by the improvement of any particular country; and the market for such commodities may remain the same or very nearly the same, after such improvements, as before. It should, however, in the natural course of things rather upon the whole be somewhat extended in consequence of them. If the manufactures, especially, of which those commodities are the materials, should ever come to flourish in the country, the market, though it might not be much enlarged, would at least be brought much nearer to the place of growth than before; and the price of those materials might at least be increased by what had usually been the expense of transporting them to distant countries. Though it might not rise therefore in the same proportion as that of butcher's meat, it ought naturally to rise somewhat, and it ought certainly not to fall.

In England, however, notwithstanding the flourishing state of its woollen manufacture, the price of English wool has fallen very considerably since the time of Edward III. There are many authentic records which demonstrate that during the reign of that prince (towards the middle of the fourteenth century, or about 1339) what was reckoned the moderate and reasonable price of the tod or twenty-eight pounds of English wool was not less than ten shillings of the money of those times [1], containing at the rate of twenty pence the ounce, six ounces of silver Tower weight, equal to about thirty shillings of our present money. In the present times, one-and-twenty shillings the tod may be reckoned a good price for very good English wool. The money price of wool, therefore, in the time of Edward

[1] See Smith's Memoirs of Wool, vol. i. c. 5, 6, and 7.; also vol. ii. c. 176. (note by the author)

III. was to its money price in the present times as ten to seven. The superiority of its real price was still greater. At the rate of six shillings and eightpence the quarter, ten shillings was in those ancient times the price of twelve bushels of wheat. At the rate of twenty-eight shillings the quarter, one-and-twenty shillings is in the present times the price of six bushels only. The proportion between the real prices of ancient and modern times, therefore, is as twelve to six, or as two to one. In those ancient times a tod of wool would have purchased twice the quantity of subsistence which it will purchase at present; and consequently twice the quantity of labour, if the real recompence of labour had been the same in both periods.

This degradation, both in the real and nominal value of wool, could never have happened in consequence of the natural course of things. It has accordingly been the effect of violence and artifice: first, of the absolute prohibition of exporting wool from England; secondly, of the permission of importing it from Spain duty free; thirdly, of the prohibition of exporting it from Ireland to any other country but England. In consequence of these regulations, the market for English wool, instead of being somewhat extended in consequence of the improvement of England, has been confined to the home market, where the wool of several other countries is allowed to come into competition with it, and where that of Ireland is forced into competition with it.[1] As the woollen manufactures, too, of Ireland are fully as much discouraged as is consistent with justice and fair dealing, the Irish can work up but a small part of their own wool at home, and are, therefore, obliged to send a greater proportion of it to Great Britain, the only market they are allowed. Such authentic records concerning the prices of raw hides in ancient times: Wool having been commonly paid as a subsidy to the king, at least in some degree, what was its ordinary price. But this seems not to have been the case with raw hides. Fleetwood, however, from an account in 1425, between the prior of Burcester Oxford and one of his canons, gives us their price, at least as it was stated, upon that particular occasion; viz., five ox hides at twelve shillings; five cow hides at seven shillings and threepence; thirty-six sheep skins of two years' old at nine shillings; sixteen calf skins at two shillings. In 1425, twelve shillings contained about the same quantity of silver as four-and-twenty shillings of our present money. An ox hide, therefore, was in this account valued at the same quantity of silver as 4*s.* 3*d*s. of our present money. Its nominal price was a good deal lower than at present; but at the rate of six shillings and eightpence the quarter, twelve shillings would in those times have purchased fourteen bushels and four-fifths of a bushel of wheat, which, at three and sixpence the bushel, would, in the present times cost fifty-one shillings and fourpence. An ox hide, therefore, would in those times have purchased as much corn as ten shillings and threepence would purchase at present. Its real value was equal to ten shillings and threepence of our present money.[3] In those ancient times, when the cattle were half-starved during the greater part of the winter, we cannot suppose that they were of a very large size. An ox hide which weighs four stone of, sixteen pounds averdupois, is not in the present times reckoned a bad one; and in those ancient times would probably have been reckoned a very good one. But at half-a-crown the stone, which at this moment (February, 1773) I understand to be the common price, such a hide would at present cost only ten shillings. Though its nominal price, therefore, is higher in the present than it was in those ancient times, its real price, the real quantity of subsistence which it will purchase or command, is rather somewhat lower. The price of cow hides, as stated in the above account, is nearly in the common proportion to that of ox hides. That of sheep skins is a good deal above it. They had probably been sold with the wool. That of calves' skins, on the contrary, is greatly below it. In countries where the price of cattle is very low, the calves which are not intended to be reared in order to keep up the stock, are generally killed very young; as was the case in Scotland twenty or thirty years ago. It saves the milk, which their price would not pay for. Their skins, therefore, are commonly good for little.

The price of raw hides is a good deal lower at present than it was a few years ago, owing probably to the taking off the duty upon seal skins, and to the allowing, for a limited time, the importation of raw hides from Ireland and from the plantations duty-free, which was done in 1769. Take the

[1] There is reason to think that Dr. Smith has exaggerated the influence of the restrictions on the trade in wool. It is probable they had some effect in depressing the price of the very long wool used in the manufacture of worsteds, which is reckoned of a peculiarly fine quality in England. But the fact that large quantities of German, Spanish, Australian, and other foreign wool, used in the principal branches of the cloth manufacture, have been regularly imported into this country for a long series of years, shows that the prices of the great bulk of British wool have been, at an average, higher than the prices of Continental wool.

[2] The prohibition of the export of native wool was repealed in 1825, and low duties imposed in its stead, which ceased in 1833. The duties on foreign wool imported, originally imposed in 1802, after undergoing various modifications, were finally repealed in 1844.

[3] That is on the assumption that corn is a measure of real value, which it certainly is not. See notes on Value and Rent, end of volume.

whole of the present century at an average, their real price has probably been somewhat higher than it was in those ancient times. The nature of the commodity renders it not quite so proper for being transported to distant markets as wool. It suffers more by keeping A salted hide is reckoned inferior to a fresh one, and sells for a lower price. This circumstance must necessarily have some tendency to sink the price of raw hides produced in a country which does not manufacture them, but is obliged to export them; and comparatively to raise that of those produced in a country which does manufacture them. It must have some tendency to sink their price in a barbarous, and to raise it in an improved and manufacturing country. It must have had some tendency, therefore, to sink it in ancient, and to raise it in modern times. Our tanners besides have not been quite so successful as our clothiers, in convincing the wisdom of the nation, that the safety of the commonwealth depends upon the prosperity of their particular manufacture. They have accordingly been much less favoured. The exportation of raw hides has, indeed, been prohibited and declared a nuisance; but their importation from foreign countries has been subjected to a duty; and though this duty has been taken off from those of Ireland and the plantations (for the limited time of five years only), yet Ireland has not been confined to the market of Great Britain for the sale of its surplus hides, or of those which are not manufactured at home. The hides of common cattle have but within these few years been put among the enumerated commodities which the plantations can send nowhere but to the mother country; neither has the commerce of Ireland been in this case oppressed hitherto, in order to support the manufactures of Great Britain.

Whatever regulations tend to sink the price either of wool or of raw hides below what it naturally would be, must, in an improved and cultivated country, have some tendency to raise the price of butcher's meat. The price both of the great and small cattle which are fed on improved and cultivated land, must be sufficient to pay the rent which the landlord, and the profit which the farmer has reason to expect from improved and cultivated land. If it is not, they will soon cease to feed them. Whatever part of this price, therefore, is not paid by the wool and the hide, must be paid by the carcass. The less there is paid for the one, the more must be paid for the other. In what manner this price is to be divided upon the different parts of the beast, is indifferent to the landlords and farmers, provided it is all paid to them. In an improved and cultivated country, therefore, their interest as landlords and farmers cannot be much affected by such regulations, though their interest as consumers may, by the rise in the price of provisions. It would be quite otherwise, however, in an unimproved and uncultivated country, where the greater part of the lands could be applied to no other purpose but the feeding of cattle, and where the wool and the hide made the principal part of the value of those cattle. Their interest as landlords and farmers would in this case be very deeply affected by such regulations, and their interest as consumers very little. The fall in the price of the wool and the hide, would not in this case raise the price of the carcass; because the greater part of the lands of the country being applicable to no other purpose but the feeding of cattle, the same number would still continue to be fed. The same quantity of butcher's meat would still come to market. The demand for it would be no greater than before. Its price, therefore, would be the same as before. The whole price of cattle would fall, and along with it both the rent and the profit of all those lands of which cattle was the principal produce, that is, of the greater part of the lands of the country. The perpetual probibition of the exportation of wool, which is commonly, but very falsely, ascribed to Edward III., would, in the then circumstances of the country, have been the most destructive regulation which could well have been thought of. It would not only have reduced the actual value of the greater part of the lands of the kingdom, but by reducing the price of the most important species of small cattle, it would have retarded very much its subsequent improvement.

The wool of Scotland fell very considerably in its price in consequence of the union with England, by which it was excluded from the great market of Europe, and confined to the narrow one of Great Britain. The value of the greater part of the lands in the southern counties of Scotland, which are chiefly a sheep country, would have been very deeply affected by this event, had not the rise in the price of butcher's meat fully compensated the fall in the price of wool.

As the efficacy of human industry, in increasing the quantity either of wool or of raw hides, is limited, so far as it depends upon the produce of the country where it is exerted; so it is uncertain so far as it depends upon the produce of other countries. It so far depends, not so much upon the quantity which they produce, as upon that which they do not manufacture; and upon the restraints which they may or may not think proper to impose upon the exportation of this sort of rude produce. These circumstances, as they are altogether independent of domestic industry, so they necessarily render the efficacy of its efforts more or less uncertain. In multiplying this sort

of rude produce, therefore, the efficacy of human industry is not only limited, but uncertain.

In multiplying another very important sort of rude produce, the quantity of fish that is brought to market, it is likewise both limited and uncertain. It is limited by the local situation of the country, by the proximity or distance of its different provinces from the sea, by the number of its lakes and rivers, and by what may be called the fertility or barrenness of those seas, lakes and rivers, as to this sort of rude produce. As population increases, as the annual produce of the land and labour of the country grows greater and greater, there come to be more buyers of fish, and those buyers too have a greater quantity and variety of other goods, or, what is the same thing, the price of a greater quantity and variety of other goods, to buy with. But it will generally be impossible to supply the great and extended market without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one A market which, from requiring only one thousand, comes to require annually ten thousand ton of fish, can seldom be supplied without employing more than ten times the quantity of labour which had before been sufficient to supply it. The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of. The real price of this commodity, therefore, naturally rises in the progress of improvement. It has accordingly done so, I believe, more or less in every country.

Though the success of a particular day's fishing may be a very uncertain matter, yet, the local situation of the country being supposed, the general efficacy of industry in bringing a certain quantity of fish to market, taking the course of the year, or of several years together, it may perhaps be thought, is certain enough; and it, no doubt, is so. As it depends more, however, upon upon the local situation of the country, than upon the state of its wealth and industry; as upon this account it may in different countries be the same in different periods of improvement, and very different in the same period; its connection with the state of improvement is uncertain, and it is of this sort of uncertainty that I am here speaking.

In increasing the quantity of the different minerals and metals which are drawn from the bowels of the earth, that of the more precious ones particularly, the efficacy of human industry seems not to be limited, but to be altogether uncertain.

The quantity of the precious metals which is to be found in any country is not limited by any thing in its local situation, such as the fertility or barrenness of its own mines. Those metals frequently abound in countries which possess no mines. Their quantity in every particular country seems to depend upon two different circumstances; first, upon its power of purchasing, upon the state of its industry, upon the annual produce of its land and labour, in consequence of which it can afford to employ a greater or a smaller quantity of labour and subsistence in bringing or purchasing such superfluities as gold or silver, either from its own mines or from those of other countries; and, secondly, upon the fertility or barrenness of the mines which may happen at any particular time to supply the commercial world with those metals. The quantity of those metals in the countries most remote from the mines must be more or less affected by this fertility or barrenness, on account of the easy and cheap transportation of those metals, of their small bulk and great value. Their quantity in China and Indostan must have been more or less affected by the abundance of the mines of America.

So far as their quantity in any particular country depends upon the former of those two circumstances (the power of purchasing), their real price, like that of all other luxuries and superfluities, is likely to rise with the wealth and improvement of the country, and to fall with its poverty and depression. Countries which have a great quantity of labour and subsistence to spare, can afford to purchase any particular quantity of those metals at the expense of a greater quantity of labour and subsistence, than countries which have less to spare.

So far as their quantity in any particular country depends upon the latter of those two circumstances (the fertility or barrenness of the mines which happen to supply the commercial world), their real price, the real quantity of labour and subsistence which they will purchase or exchange for, will, no doubt, sink more or less in proportion to the fertility, and rise in proportion to the barrenness, of those mines

The fertility or barrenness of the mines, however, which may happen at any particular time to supply the commercial world, is a circumstance which, it is evident, may have no sort of connection with the state of industry in a particular country. It seems even to have no very necessary connection with that of the world in general. As arts and commerce, indeed, gradually spread themselves over a greater and a greater part of the earth, the search for new mines, being extended over a wider surface, may have somewhat a better chance for being successful, than when confined within narrower bounds. The discovery of new mines, however, as the old ones come to be gradually exhausted, is a matter of the greatest uncer-

tainty, and such as no human skill or industry can insure. All indications, it is acknowledged, are doubtful, and the actual discovery and successful working of a new mine can alone ascertain the reality of its value, or even of its existence. In this search there seems to be no certain limits either to the possible success, or to the possible disappointment of human industry. In the course of a century or two, it is possible that new mines may be discovered more fertile than any that have ever yet been known; and it is just equally possible that the most fertile mine then known may be more barren than any that was wrought before the discovery of the mines of America. Whether the one or the other of those two events may happen to take place, is of very little importance to the real wealth and prosperity of the world, to the real value of the annual produce of the land and labour of mankind. Its nominal value, the quantity of gold and silver by which this annual produce could be expressed or represented, would, no doubt, be very different; but its real value, the real quantity of labour which it could purchase or command, would be precisely the same. A shilling might in the one case represent no more labour than a penny does at present; and a penny in the other might represent as much as a shilling does now. But in the one case, he who had a shilling in his pocket would be no richer than he who has a penny at present; and in the other, he who had a penny would be just as rich as he who has a shilling now. The cheapness and abundance of gold and silver plate would be the sole advantage which the world could derive from the one event, and the dearness and scarcity of those trifling superfluities the only inconvenience it could suffer from the other.

Conclusion of the Digression concerning the Variations in the Value of Silver.

THE greater part of the writers who have collected the money prices of things in ancient times, seem to have considered the low money price of corn, and of goods in general, or, in other words, the high value of gold and silver, as a proof, not only of the scarcity of those metals, but of the poverty and barbarism of the country at the time when it took place. This notion is connected with the system of political economy which represents national wealth as consisting in the abundance, and national poverty in the scarcity of gold and silver; a system which I shall endeavour to explain and examine at great length in the fourth book of this inquiry. I shall only observe at present, that the high value of the precious metals can be no proof of the poverty or barbarism of any particular country at the time when it took place. It is a proof only of the barrenness of the mines which happened at that time to supply the commercial world. A poor country, as it cannot afford to buy more, so it can as little afford to pay dearer for gold and silver than a rich one; and the value of those metals, therefore, is not likely to be higher in the former than in the latter. In China, a country much richer than any part of Europe, the value of the precious metals is much higher than in any part of Europe.[1] As the wealth of Europe, indeed, has increased greatly since the discovery of the mines of America, so the value of gold and silver has gradually diminished. This diminution of their value, however, has not been owing to the increase of the real wealth of Europe, of the annual produce of its land and labour, but to the accidental discovery of more abundant mines than any that were known before. The increase of the quantity of gold and silver in Europe, and the increase of its manufactures and agriculture, are two events which, though they have happened nearly about the same time, yet have arisen from very different causes, and have scarce any natural connection with one another. The one has arisen from a mere accident, in which neither produce nor policy either had or could have any share; the other from the fall of the feudal system, and from the establishment of a government which afforded to industry the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour. Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America. The money price of corn, however, has risen; the real value of the precious metals has fallen in Poland, in the same manner as in other parts of Europe. Their quantity, therefore, must have increased there as in other places, and nearly in the same proportion to the annual produce of its land and labour. This increase of the quantity of those metals, however, has not, it seems, increased that annual produce, has neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. The value of the precious metals, however, must be lower in Spain and Portugal than any other part of Europe; as they come from those countries to all other parts of Europe, loaded not only with a freight and an insurance, but with the expense of smuggling, their exportation being either prohibited or subjected to a duty. In proportion to the annual produce of the land and labour

[1] See *ante*, p. 87.

therefore, their quantity must be greater in those countries than in any other part of Europe. Those countries, however, are poorer than the greater part of Europe. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.

As the low value of gold and silver, therefore, is no proof of the wealth and flourishing state of the country where it takes place; so neither is their high value, or the low money price either of goods in general, or of corn in particular, any proof of its poverty and barbarism.

But though the low money price either of goods in general, or of corn in particular, be no proof of the poverty or barbarism of the times, the low money price of some particular sorts of goods, such as cattle, poultry, game of all kinds, &c. in proportion to that of corn, is a most decisive one. It clearly demonstrates, first, their great abundance in proportion to that of corn, and consequently the great extent of the land which they occupied in proportion to what was occupied by corn; and, secondly, the low value of this land in proportion to that of corn land, and consequently the uncultivated and unimproved state of the far greater part of the lands of the country. It clearly demonstrates that the stock and population of the country did not bear the same proportion to the extent of its territory, which they commonly do in civilised countries, and that society was at that time, and in that country, but in its infancy. From the high or low money price either of goods in general, or of corn in particular, we can infer only that the mines which at that time happened to supply the commercial world with gold and silver, were fertile or barren, not that the country was rich or poor. But from the high or low money price of some sorts of goods in proportion to that of others, we can infer, with a degree of probability that approaches almost to certainty, that it was rich or poor, that the greater part of its lands were improved or unimproved, and that it was either in a more or less barbarous state, or in a more or less civilised one.

Any rise in the money price of goods which proceeded altogether from the degradation of the value of silver, would affect all sorts of goods equally, and raise their price universally a third, or a fourth, or a fifth part higher, according as silver happened to lose a third, or a fourth, or a fifth part of its former value. But the rise in the price of provisions, which has been the subject of so much reasoning and conversation, does not affect all sorts of provisions equally. Taking the course of the present century at an average, the price of corn, it is acknowledged, even by those who account for this rise by the degradation of the value of silver, has risen much less than that of other sorts of provisions. The rise in the price of those other sorts of provisions, therefore, cannot be owing altogether to the degradation of the value of silver. Some other causes must be taken into the account, and those which have been above assigned, will, perhaps, without having recourse to the supposed degradation of the value of silver, sufficiently explain this rise in those particular sorts of provisions of which the price has actually risen in proportion to that of corn.

As to the price of corn itself, it has, during the sixty-four first years of the present century, and before the late extraordinary course of bad seasons, been somewhat lower than it was during the sixty-four last years of the preceding century. This fact is attested, not only by the accounts of Windsor market, but by the public fiars of all the different counties of Scotland, and by the accounts of several different markets in France, which have been collected with great diligence and fidelity by Mr Messance, and by Mr. Dupré de St. Maur. The evidence is more complete than could well have been expected in a matter which is naturally so very difficult to be ascertained.

As to the high price of corn during these last ten or twelve years, it can be sufficiently accounted for from the badness of the seasons, without supposing any degradation in the value of silver.

The opinion, therefore, that silver is continually sinking in its value, seems not to be founded upon any good observations, either upon the prices of corn, or upon those of other provisions.

The same quantity of silver, it may perhaps be said, will in the present times, even according to the account which has been here given, purchase a much smaller quantity of several sorts of provisions than it would have done during some part of the last century; and to ascertain whether this change be owing to a rise in the value of those goods, or to a fall in the value of silver, is only to establish a vain and useless distinction, which can be of no use of service to the man who has only a certain quantity of silver to go to market with, or a certain fixed revenue in money. I certainly do not pretend that the knowledge of this distinction will enable him to buy cheaper. It may not, however, upon that account be altogether useless.

It may be of some use to the public by affording an easy proof of the prosperous condition of the country. If the rise in the price of some sorts of provisions be owing altogether to a fall in the value of silver, it is owing to a circumstance from which nothing can be inferred but the fertility of the American mines. The real

wealth of the country, the annual produce of its land and labour, may, notwithstanding this circumstance, be either gradually declining, as in Portugal and Poland, or gradually advancing, as in most other parts of Europe. But if this rise in the price of some sorts of provisions be owing to a rise in the real value of the land which produces them, to its increased fertility; or, in consequence of more extended improvement and good cultivation, to its having been rendered fit for producing corn; it is owing to a circumstance which indicates in the clearest manner the prosperous and advancing state of the country. The land constitutes by far the greatest, the most important, and the most durable part of the wealth of every extensive country. It may surely be of some use, or, at least, it may give some satisfaction to the public, to have so decisive a proof of the increasing value of by far the greatest, the most important, and the most durable part of its wealth.

It may, too, be of some use to the public in regulating the pecuniary reward of some of its inferior servants. If this rise in the price of some sorts of provisions be owing to a fall in the value of silver, their pecuniary reward, provided it was not too large before, ought certainly to be augmented in proportion to the extent of this fall. If it is not augmented, their real recompence will evidently be so much diminished. But if this rise of price is owing to the increased value, in consequence of the improved fertility of the land which produces such provisions, it becomes a much nicer matter to judge either in what proportion any pecuniary reward ought to be augmented, or whether it ought to be augmented at all. The extension of improvement and cultivation, as it necessarily raises, more or less, in proportion to the price of corn, that of every sort of animal food, so it as necessarily lowers that of, I believe, every sort of vegetable food. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn-land. It lowers the price of vegetable food; because, by increasing the fertility of the land, it increases its abundance. The improvements of agriculture, too, introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize, or what is called Indian corn, the two most important improvements which the agriculture of Europe, perhaps which Europe itself, has received from the great extension of its commerce and navigation. Many sorts of vegetable food besides, which in the rude state of agriculture, are confined to the kitchen garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough; such as turnips, carrots, cabbages, &c. If in the progress of improvement, therefore, the real price of one species of food necessarily rises, that of another as necessarily falls, and it becomes a matter of more nicety to judge how far the rise in the one may be compensated by the fall in the other. When the real price of butcher's meat has once got to its height, (which, with regard to every sort, except, perhaps, that of hog's flesh, it seems to have done through a great part of England, more than a century ago), any rise which can afterwards happen in that of any other sort of animal food, cannot much affect the circumstances of the inferior ranks of people. The circumstances of the poor through a great part of England cannot surely be so much distressed by any rise in the price of poultry, fish, wild fowl, or venison, as they must be relieved by the fall in that of potatoes.

In the present season of scarcity the high price of corn no doubt distresses the poor. But in times of moderate plenty, when corn is at its ordinary or average price, the natural rise in the price of any other sort of rude produce cannot much affect them. They suffer more, perhaps, by the artificial rise which has been occasioned by taxes in the price of some manufactured commodities; as of salt, soap, leather, candles, malt, beer, and ale, &c.

Effects of the Progress of Improvement upon the Real Price of Manufactures.

It is the natural effect of improvement, however, to diminish gradually the real price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of the quantity will generally much more than compensate the greatest rise which can happen in the price.

There are, indeed, a few manufactures, in which the necessary rise in the real price of the rude materials will more than compensate all the advantages which improvement can introduce into the execution of the work. In carpenter's and joiner's work, and in the coarser sort of cabinet work, the

necessary rise in the real price of barren timber, in consequence of the improvement of land, will more than compensate all the advantages which can be derived from the best machinery, the greatest dexterity, and the most proper division and distribution of work.

But in all cases in which the real price of the rude materials either does not rise at all, or does not rise very much, that of the manufactured commodity sinks very considerably.

This diminution of price has, in the course of the present and preceding century, been most remarkable in those manufactures of which the materials are the coarser metals. A better movement of a watch, than about the middle of the last century, could have been bought for twenty pounds, may now, perhaps, be had for twenty shillings. In the work of cutlers and locksmiths, in all the toys which are made of the coarser metals, and in all those goods which are commonly known by the name of Birmingham and Sheffield ware, there has been, during the same period, a very great reduction of price, though not altogether so great as in watch-work. It has, however, been sufficient to astonish the workmen of every other part of Europe, who, in many cases, acknowledge that they can produce no work of equal goodness for double, or even for triple the price. There are, perhaps, no manufactures in which the division of labour can be carried further, or in which the machinery employed admits of a greater variety of improvements, than those of which the materials are the coarser metals.

In the clothing manufacture there has, during the same period, been no such sensible reduction of price. The price of superfine cloth, I have been assured, on the contrary, has, within these five-and-twenty or thirty years, risen somewhat in proportion to its quality; owing, it was said, to a considerable rise in the price of the material, which consists altogether of Spanish wool. That of the Yorkshire cloth, which is made altogether of English wool, is said, indeed, during the course of the present century, to have fallen a good deal in proportion to its quality. Quality, however, is so very disputable a matter, that I look upon all information of this kind as somewhat uncertain. In the clothing manufacture the division of labour is nearly the same now as it was a century ago, and the machinery employed is not very different. There may, however, have been some small improvements in both, which may have occasioned some reduction of price.

But the reduction will appear much more sensible and undeniable, if we compare the price of this manufacture in the present times with what it was in a much remoter period, towards the end of the fifteenth century, when the labour was, probably, much less subdivided, and the machinery employed much more imperfect that it is at present.

In 1487, being the 4th of Henry VII., it was enacted, that "whosoever shall sell by retail a broad yard of the finest scarlet grained, or of other grained cloth of the finest making above sixteen shillings, shall forfeit forty shillings for every yard so sold." Sixteen shillings, therefore, containing about the same quantity of silver as four-and-twenty shillings of our present money, was, at that time, reckoned not an unreasonable price for a yard of the finest cloth; and as this is a sumptuary law, such cloth, it is probable, had usually been sold somewhat dearer. A guinea may be reckoned the highest price in the present times. Even though the quality of the cloths, therefore, should be supposed equal, and that of the present times is, most probably, much superior, yet, even upon this supposition, the money price of the finest cloth appears to have been considerably reduced since the end of the fifteenth century. But its real price has been much more reduced. Six shillings and eightpence was then, and long afterwards, reckoned the average price of a quarter of wheat. Sixteen shillings, therefore, was the price of two quarters, and more than three bushels of wheat. Valuing a quarter of wheat in the present times at eight-and-twenty shillings, the real price of a yard of fine cloth must, in those times, have been equal to at least three pounds six shillings and sixpence of our present money. The man who bought it must have parted with the command of a quantity of labour and subsistence equal to what that sum would purchase in the present times.

The reduction in the real price of the coarse manufacture, though considerable, has not been so great as in that of the fine.

In 1463, being the 3d of Edward IV., it was enacted, that "no servant in husbandry, nor common labourer, nor servant to any artificer inhabiting out of a city or burgh, shall use or wear in their clothing any cloth above two shillings the broad yard." In the 3d of Edward IV. two shillings contained very nearly the same quantity of silver as four of our present money. But the Yorkshire cloth which is now sold at four shillings the yard is, probably, much superior to any that was then made for the wearing of the very poorest order of common servants. Even the coarse gray of their clothing, therefore, may, in proportion to the quality, be somewhat cheaper in the present than it was in those former times. The real price is certainly a good deal cheaper. Twopence was then reckoned what is called a moderate and reasonable price of a pound of cheese. Two shillings

therefore, was the price of two bushels and near two pecks of wheat; which, in the present times, at three shillings and sixpence the bushel, would be worth eight shillings and ninepence. For a yard of this cloth the poor servant must have parted with the power of purchasing a quantity of subsistence equal to what eight shillings and ninepence would purchase in the present times. This is a sumptuary law, too, restraining the luxury and extravagance of the poor. Their clothing, therefore, had commonly been much more expensive.

The same order of people are, by the same law, prohibited from wearing hose, of which the price should exceed fourteen pence the pair, equal to about eight-and-twenty pence of our present money. But fourteen pence was in those times the price of a bushel and near two pecks of wheat; which, in the present times, at three and sixpence the bushel, would cost five shillings and threepence. We should in the present times consider this as a very high price for a pair of stockings to a servant of the poorest and lowest order. He must, however, in those times have paid what was really equivalent to this price for them.

In the time of Edward IV. the art of knitting stockings was probably not known in any part of Europe. Their hose were made of common cloth, which may have been one of the causes of their dearness. The first person that wore stockings in England is said to have been Queen Elizabeth: she received them as a present from the Spanish ambassador.

Both in the coarse and in the fine woollen manufacture, the machinery employed was much more imperfect in those ancient than it is in the present times. It has since received three very capital improvements, besides, probably, many smaller ones, of which it may be difficult to ascertain either the number or the importance. The three capital improvements are, first, the exchange of the rock and spindle for the spinning wheel, which, with the same quantity of labour, will perform more than double the quantity of work. Secondly, the use of several very ingenious machines which facilitate and abridge in a still greater proportion the winding of the worsted and woollen yarn, or the proper arrangement of the warp and woof before they are put into the loom; an operation which, previous to the invention of tho[illegible] must have been extremely tedi[illegible]me. Thirdly, the employ[illegible] mill for thickening the [illegible] treading it in water. Neither wind nor water mills of any kind were known in England so early as the beginning of the sixteenth century, nor, so far as I know, in any other part of Europe north of the Alps. They had been introduced into Italy some time before.

The consideration of these circumstances may, perhaps, in some measure explain to us why the real price both of the coarse and of the fine manufacture was so much higher in those ancient than it is in the present times. It cost a greater quantity of labour to bring the goods to market. When they were brought thither, therefore, they must have purchased or exchanged for the price of a greater quantity.

The coarse manufacture probably was, in those ancient times, carried on in England in the same manner as it always has been in countries where arts and manufactures are in their infancy. It was probably a household manufacture, in which every different part of the work was occasionally performed by all the different members of almost every private family; but so as to be their work only when they had nothing else to do, and not to be the principal business from which any of them derived the greater part of their subsistence. The work which is performed in this manner, it has already been observed, comes always much cheaper to market than that which is the principal or sole fund of the workman's subsistence. The fine manufacture, on the other hand, was not in those times carried on in England, but in the rich and commercial country of Flanders; and it was probably conducted then, in the same manner as now, by people who derived the whole, or the principal part of their subsistence from it. It was, besides, a foreign manufacture, and must have paid some duty, the ancient custom of tonnage and poundage at least, to the king. This duty, indeed, would not probably be very great. It was not then the policy of Europe to restrain, by high duties, the importation of foreign manufactures, but rather to encourage it, in order that merchants might be enabled to supply, at as easy a rate as possible, the great men with the conveniences and luxuries which they wanted, and which the industry of their own country could not afford them.

The consideration of these circumstances may, perhaps, in some measure explain to us why, in those ancient times, the real price of the coarse manufacture was, in proportion to that of the fine, so much lower than in the present times.[1]

[1] Dr. Smi[illegible] [illegible]ution either here [illegible] in any o[illegible] [illegible]k, to the cotton manufacture [illegible] he wrote, it was, indeed, carr[illegible] extent, and none could have [illegible] [illegible]ul progress it has since made. It is now of vast and indeed paramount importance; and it may be truly affirmed that its progress in Great Britain since 1770, and present magnitude, form, beyond all question, the most extraordinary phenomena in the history of industry

CONCLUSION OF THE CHAPTER.

I SHALL conclude this very long chapter with observing that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce.

That rise in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended, the rise in the price of cattle, for example, tends too to raise the rent of land directly, and in a still greater proportion. The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord.

All those improvements in the productive powers of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of land The landlord exchanges that part of his rude produce which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. An equal quantity of the former becomes thereby equivalent to a greater quantity of the latter; and the landlord is enabled to purchase a greater quantity of the conveniences, ornaments, or luxuries, which he has occasion for.[1]

Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of land. A certain proportion of this labour naturally goes to the land. A greater number of men and cattle are employed in its cultivation, the produce increases with the increase of the stock which is thus employed in raising it, and the rent increases with the produce.

The contrary circumstances, the neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of land, the rise in the real price of manufactures from the decay of manufacturing art and industry, the declension of the real wealth of the society, all tend, on the other hand, to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour or the produce of the labour of other people.

The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original and constituent orders of every civilised society, from whose revenue that of every other order is ultimately derived.

The interest of the first of those three great orders, it appears from what has been just now said, is strictly and inseparably connected with the general interest of the society.[2] Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order; at least if they have any tolerable knowledge of that interest.[3] They are, indeed, too often defective in this tolerable knowledge. They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that applica-

Mr. Baines of Leeds has published an interesting and able work on the history and present state of the cotton manufacture; and these topics are, also, pretty fully treated of in the Commercial Dictionary, and in the Statistical Account of the British Empire by the editor of this work.

[1] The condition of all other classes is quite as much improved by a decline in the value of manufactured goods, as that of the landlords. The rents of the latter go farther in purchasing manufactured goods after they have declined in price; but they decline only because with the same capital and labour they may be produced in larger quantities.

[2] This is perfectly true of their prospective and lasting interests; but it is not quite true of their immediate interests. There are not unfrequently pretty strongly opposed to those of the other classes.

[3] When Dr. Smith wrote this paragraph, he had forgot the bounty on the exportation of corn to other countries, and the act prohibiting the importation of Irish cattle into Great Britain. These, independently of the corn laws of 1801 and 1815, are sufficient to show that the spirit of monopoly has uniformly been as powerful among landlords as among manufacturers or merchants.

tion of mind which is necessary in order to foresee and understand the consequences of any public regulation.

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first. The wages of the labourer, it has already been shown, are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably. When this real wealth of the society becomes stationary, his wages are soon reduced to what is barely enough to enable him to bring up a family, or to continue the race of labourers. When the society declines, they fall even below this. The order of proprietors may, perhaps, gain more by the prosperity of the society than that of labourers; but there is no order that suffers so cruelly from its decline. But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of understanding its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed.[1] In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own particular purposes.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit, which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin.[2] The interest of this third order, therefore, has not the same connexion with the general interest of society as that of the other two. Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour, (which it has not been upon every occasion,) is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction, that their interest, and not his, was the interest of the public. The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public; who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

1 This opinion must be received with much modification. The improved education and greater intelligence of the labour[illegible] perceive their own real and [illegible] better at present than at [illegible]

2 This is a m[illegible]vat. Profit is [illegible] than in other [illegible] higher [illegible] to hold enough England or Fran[illegible]? The very [illegible] that they [illegible] reverse of what Dr. Smith has stated is true. Profits are always highest in those countries that are advancing fastest in the career of improvement; and if they ever appear to be high in countries that are declining, it is because of the want of security, and of the premium required to guarantee the capital from loss being confounded with profit. See M'Culloch's *Principles of Political Economy*, p. 168. 2d ed.

Years XII.	Price of the Quarter of Wheat each Year. £ s. d.	Average of the different Prices of the same Year. £ s. d.	The average Price of each Year in Money of the present Times. £ s. d.
1102	0 12 0	. . .	1 16 0
1105	0 12 0 0 13 4 0 15 0	0 13 5	2 0 3
1223	0 12 0	. . .	1 16 0
1237	0 3 4	. . .	0 10 0
1243	0 2 0	. . .	0 6 0
1244	0 2 0	. . .	0 6 0
1246	0 16 0	. . .	2 8 0
1247	0 13 4	. . .	2 0 0
1257	1 4 0	. . .	3 12 0
1258	1 0 0 0 15 0 0 16 0	17 0	2 11 0
1270	4 16 0 6 8 0	5 12 0	16 16 0*
1286	0 2 8 0 16 0	0 9 4	1 8 0
	Total	- 35 9 3	
	Average Price	- 2 19 1½	
1287	0 3 4	. . .	0 10 0
1288	0 0 8 0 1 0 0 1 4 0 1 6 0 1 8 0 2 0 0 3 4 0 9 4	0 3 0½	0 9 0½
1289	0 12 0 0 6 0 0 2 0 0 10 8 1 0 0	0 10 1½	1 10 4½
1290	0 16 0	. . .	2 8 0
1294	0 16 0	. . .	2 8 0
1302	0 4 0	. . .	0 12 0
1309	0 7 2	. . .	1 1 6
1315	1 0 0	. . .	3 0 0
1316	1 0 0 1 10 0 1 12 0 2 0 0	1 10 6	4 11 6
1317	2 4 0 0 14 0 2 13 0 4 0 0 0 6 8	1 19 6	5 18 6
1336	0 2 0	. . .	0 6 0
1338	0 3 4	. . .	0 10 0
	Total	- 23 4 11½	
	Average Price	- 1 18 8	
1339	0 9 0	. . .	1 7 0
1349	0 2 0	. . .	0 5 2
1359	1 6 8	. . .	3 2 2
1361	0 2 0	. . .	0 4 8
1363	0 15 0	. . .	1 15 0
1369	1 0 0 1 4 0	1 2 0	2 9 4
1379	0 4 0	. . .	0 9 4
1387	0 2 0	. . .	0 4 8
1390	0 13 4 0 14 0 0 16 0	0 14 5	1 13 7
1401	0 16 0	. . .	1 17 4
1407	0 4 4½ 0 3 4	0 3 10	0 8 11
1416	0 16 0	. . .	1 12 0
	Total	- 15 9 4	
	Average Price	- 1 5 9½	

Years XII.	Price of the Quarter of Wheat each Year. £ s. d.	Average of the different Prices of the same Year. £ s. d.	The Average Price of each Year in Money of the present Times. £ s. d.
1423	0 8 0	. . .	0 16 0
1425	0 4 0	. . .	0 8 0
1434	1 6 8	. . .	2 13 4
1435	0 5 4	. . .	0 10 8
1439	1 0 0 1 6 8	1 3 4	2 6 8
1440	1 4 0	. . .	2 8 0
1444	0 4 4 0 4 0	0 4 2	0 8 4
1445	0 4 6	. . .	0 9 0
1447	0 8 0	. . .	0 16 0
1448	0 6 8	. . .	0 13 4
1449	0 5 0	. . .	0 10 0
1451	0 8 0	. . .	0 16 0
	Total	- 12 15 4	
	Average Price	- 1 1 3½	
1453	0 5 4	. . .	0 10 8
1455	0 1 2	. . .	0 2 4
1457	0 7 8	. . .	0 15 4
1459	0 5 0	. . .	0 10 0
1460	0 8 0	. . .	0 16 0
1463	0 2 0 0 1 8	0 1 10	0 3 8
1464	0 6 8	. . .	0 10 0
1486	1 4 0	. . .	1 17 0
1491	0 14 8	. . .	1 2 0
1494	0 4 0	. . .	0 6 0
1495	0 3 4	. . .	0 5 0
1497	1 0 0	. . .	1 11 0
	Total	- 8 9 0	
	Average Price	- 0 14 1	
1499	0 4 0	. . .	0 6 0
1504	0 5 8	. . .	0 8 6
1521	1 0 0	. . .	1 10 0
1551	0 8 0	. . .	0 2 0
1553	0 8 0	. . .	0 8 0
1554	0 8 0	. . .	0 8 0
1555	0 8 0	. . .	0 8 0
1556	0 8 0	. . .	0 8 0
1557	0 4 0 0 5 0 0 8 0 2 13 4	0 17 8½	0 17 8½
1558	0 8 0	. . .	0 8 0
1559	0 8 0	. . .	0 8 0
1560	0 8 0	. . .	0 8 0
	Total	- 6 0 2½	
	Average Price	- 0 10 0 5/12	
1561	0 8 0	. . .	0 8 0
1562	0 8 0	. . .	0 8 0
1574	2 16 0 1 4 0	2 0 0	2 0 0
1587	3 4 0	. . .	3 4 0
1594	2 16 0	. . .	2 16 0
1595	2 13 0	. . .	2 13 0
1596	4 0 0	. . .	4 0 0
1597	5 4 0 4 0 0	4 12 0	4 12 0
1598	2 16 8	. . .	2 16 8
1599	1 19 2	. . .	1 19 2
1600	1 17 8	. . .	1 17 8
1601	1 14 10	. . .	1 14 10
	Total	- 28 9 4	
	Average Price	- 2 7 5½	

* Very little reliance can be placed on the accounts of prices at this early period. It is obviously impossible that so high a price as 16*l.* 16*s.* per quarter could have been paid for any considerable quantity of corn in a country so poor as England in the thirteenth century. In order to obtain a more accurate medium price, Garnier has proposed to exclude this and several other years where the prices quoted are either very high or very low, before striking an average.—*Richesse des Nations*, tom. i. p. 177.

Prices of the Quarter of nine Bushels of the best or highest priced Wheat at Windsor Market, on Lady-Day and Michaelmas, from 1595 to 1764, both inclusive; the Price of each Year being the Medium between the highest Prices of those Two Market days.

Years.	Wheat per qr. £	s.	d.
1595	2	0	0
1596	2	8	0
1597	3	9	6
1598	2	16	8
1599	1	19	2
1600	1	17	8
1601	1	14	10
1602	1	9	4
1603	1	15	4
1604	1	10	8
1605	1	15	10
1606	1	13	0
1607	1	16	8
1608	2	16	8
1609	2	10	0
1610	1	15	10
1611	1	18	8
1612	2	2	4
1613	2	8	8
1614	2	1	8 1/3
1615	1	18	8
1616	2	0	4
1617	2	8	8
1618	2	6	8
1619	1	15	4
1620	1	10	4
	26)54	0	6 1/2
	2	1	6 9/13

Years.	Wheat per qr. £	s.	d.
1621	1	10	4
1622	2	18	8
1623	2	12	0
1624	2	8	0
1625	2	12	0
1626	2	9	4
1627	1	16	0
1628	1	18	0
1629	2	2	0
1630	2	15	8
1631	3	8	0
1632	2	13	4
1633	2	18	0
1634	2	16	0
1635	2	16	0
1636	2	16	8
	16)40	0	0
	2	10	0

Years.	Wheat per qr. £	s.	d.
1637	2	13	0
1638	2	17	4
1639	2	4	10
1640	2	4	8
1641	2	8	0
1642	0	0	0
1643 *	0	0	0
1644	0	0	0
1645	0	0	0
1646	2	8	0
1647	3	13	8
1648	4	5	0
1649	4	0	0
1650	3	16	8
1651	3	13	4
1652	2	9	6
1653	1	15	6
1654	1	6	0
1655	1	13	4
1656	2	3	0
1657	2	6	8
1658	3	5	0
1659	3	6	0
1660	2	16	6
1661	3	10	0
1662	3	14	0
1663	2	17	0
1664	2	0	6
1665	2	0	4
1666	1	16	0
1667	1		
1668	2		
1669	2		
1670	2		
Carry over	79	14	10

Years.	Wheat per qr. £	s.	d.
Brt. over	79	14	10
1671	2	2	0
1672	2	1	0
1673	2	6	8
1674	3	8	8
1675	3	4	8
1676	1	18	0
1677	2	2	0
1678	2	19	0
1679	3	0	0
1680	2	5	0
1681	2	6	8
1682	2	4	0
1683	2	0	0
1684	2	4	0
1685	2	6	8
1686	1	14	0
1687	1	5	2
1688	2	6	0
1689	1	10	0
1690	1	14	8
1691	1	14	0
1692	2	6	8
1693	3	7	8
1694	3	4	0
1695	2	13	0
1696	3	11	0
1697	3	0	0
1698	3	8	4
1699	3	4	0
1700	2	0	0
	100)253	1	8
	2	11	0 1/2

* Wanting in the Windsor Market for the year 1646 supplied by bishop Fleetwood.

Years.	Wheat per qr. £	s.	d.
1701	1	17	8
1702	1	9	6
1703	1	16	0
1704	2	6	6
1705	1	10	0
1706	1	6	0
1707	1	8	6
1708	2	1	6
1709	3	18	6
1710	3	18	0
1711	2	14	0
1712	2	6	4
1713	2	11	0
1714	2	10	4
1715	2	3	0
1716	2	8	0
1717	2	5	8
1718	1	18	10
1719	1	15	0
1720	1	17	0
1721	1	17	6
1722	1	16	0
1723	1	14	8
1724	1	17	0
1725	2	8	6
1726	2	6	0
1727	2	2	0
1728	2	14	6
1729	2	6	10
1730	1	16	6
1731	1	12	10
1732	1	6	8
1733	1	8	4
Carry over	69	8	8

Years.	Wheat per qr. £	s.	d.
Brt. over	69	8	8
1734	1	18	10
1735	2	3	0
1736	2	0	4
1737	1	18	0
1738	1	15	6
1739	1	18	6
1740	2	10	8
1741	2	0	8
1742	1	14	0
1743	1	4	10
1744	1	4	10
1745	1	7	6
1746	1	19	0
1747	1	14	10
1748	1	17	0
1749	1	17	0
1750	1	12	6
1751	1	18	6
1752	2	1	10
1753	2	4	8
1754	1	14	8
1755	1	13	10
1756	2	5	3
1757	3	0	0
1758	2	10	0
1759	1	19	10
1760	1	16	6
1761	1	10	3
1762	1	19	0
1763	2	0	9
1764	2	6	9
	64)129	13	6
	2	0	6 9/32

Years.	Wheat per qr. £	s.	d.
1731	1	12	10
1732	1	6	8
1733	1	8	4
1734	1	18	10
1735	2	3	0
1736	2	0	4
1737	1	18	0
1738	1	15	6
1739	1	18	6
1740	2	10	8
	10)18	12	8
	1	17	3 1/5

Years.	Wheat per qr. £	s.	d.
1741	2	6	8
1742	1	14	0
1743	1	4	10
1744	1	4	10
1745	1	7	6
1746	1	19	0
1747	1	14	10
1748	1	17	0
1749	1	17	0
1750	1	12	6
	10)16	18	2
	1	13	9 4/5

For a continuation of this table, and for accounts of the prices of the other species of grain, with the quantities imported and exported, down to 1837, see the tables annexed to the note on the Corn Laws at the end of the volume.

BOOK II.

OF THE NATURE, ACCUMULATION, AND EMPLOYMENT OF STOCK.

INTRODUCTION.

In that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, it is not necessary that any stock should be accumulated or stored up beforehand in order to carry on the business of the society. Every

man endeavours to supply by his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with the skin of the first large animal he kills; and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.

But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by the produce of other men's labour, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase cannot be made till such time as the produce of his own labour has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work till such time, at least, as both these events can be brought about. A weaver cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, a stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.

As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. The quantity of materials which the same number of people can work up, increases in a great proportion as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated beforehand. But the number of workmen in every branch of business generally increases with the division of labour in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ. The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but, in consequence of that increase, the same quantity of industry produces a much greater quantity of work.

Such are in general the effects of the increase of stock upon industry and its productive powers.

In the following book I have endeavoured to explain the nature of stock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of those capitals. This book is divided into five chapters. In the first chapter, I have endeavoured to show what are the different parts or branches into which the stock, either of an individual or of a great society, naturally divides itself. In the second, I have endeavoured to explain the nature and operation of money considered as a particular branch of the general stock of the society. The stock which is accumulated into a capital, may either be employed by the person to whom it belongs, or it may be lent to some other person. In the third and fourth chapters, I have endeavoured to examine the manner in which it operates in both these situations. The fifth and last chapter treats of the different effects which the different employments of capital immediately produce upon the quantity both of national industry, and of the annual produce of land and labour.

CHAP. I.

Of the Division of Stock.

When the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labour only. This is

the state of the greater part of the labouring poor in all countries.[1]

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive a revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which he expects is to afford him this revenue, is called his capital. The other is that which supplies his immediate consumption, and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed; such as a stock of clothes, household furniture, and the like. In one, or other, or all of these three articles, consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

First, It may be employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his possession, or continues in the same shape. The goods of the merchant yield him no revenue or profit till he sells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one shape, and returning to him in another, and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, It may be employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in suchlike things as yield a revenue or profit without changing masters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different occupations require very differten proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others. A master tailor requires no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated either in the wages of their workmen or in the price of their materials, and repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the slitt-mill, are instruments of trade which cannot be erected without a very great expense. In coal-works and mines of every kind, the machinery necessary both for drawing out the water and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture, is a fixed, that which is employed in the wages and maintenance of his labouring servants, is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital in the same manner as that of the instruments of husbandry; their maintenance is a circulating capital in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle, and by parting with their maintenance. Both

[1] The grounds on which Dr. Smith has divided the stock of a country into capital and revenue seem to be unsatisfactory, and lead to erroneous conclusions. The capital of a nation really comprises all those portions of the produce of industry existing in it, that may be *directly* employed either to support human existence, or to facilitate production. Portions of stock employed without any view to the production of rev[illegible] the most productive. The stoc[illegible] a master manufacturer emplo[illegible] ption, and without which he [illegible] laid out as revenue; and yet [illegible] contributes as much to incre[illegible] consequently that of the countr[illegible] tity of stock expended on [illegible] vice. It is always extremely [illegible] stock is, or is not produ[illegible] any definition of capital [illegible] mination of this point [illegible] and obscure a subject that is otherwise abundantly simple. In our view of the matter, it is enough to make an article be regarded as capital, that it can either directly contribute to the support of man, or assist him in appropriating or producing commodities. It may not, it is true, be employed for either of these purposes; but the question as to the mode of employing an article is perfectly distinct from the question whether it be capital. For any thing we can, *à priori* know to the contrary, a horse yoked to a gentleman's coach may be as productively employed as if he were yoked to a brewer's dray. But whatever difference may really obtain in the two cases, the identity of the horse is not affected — he is equally possessed, in the one case and the other, of the capacity to assist in production; and, should therefore to be viewed, independently of all other considerations, as a portion of the capital of the country. — See *Principles of Political Economy*, p. 9. 2d ed.

the price and the maintenance of the cattle which are bought in and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep or a herd of cattle, that, in a breeding country is bought in, neither for labour nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. Their profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it, and it comes back with both its own profit and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed, too, is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit, not by its sale, but by its increase.

The general stock of any country or society is the same with that of all its inhabitants or members, and therefore naturally divides itself into the same three portions, each of which has a distinct function or office.

The first is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit.[1] It consists in the stock of food, clothes, household furniture, &c., which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses, too, subsisting at any one time in the country, make a part of this first portion. The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a capital, or to afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue.[2] If it is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay the rent out of some other revenue which he derives either from labour, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue of the whole body of the people can never be in the smallest degree increased by it. Clothes and household furniture, in the same manner, sometimes yield a revenue, and thereby serve in the function of a capital to particular persons. In countries where masquerades are common, it is a trade to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by the year. Undertakers let the furniture of funerals by the day and by the week. Many people let furnished houses and get a rent, not only for the use of the house, but for that of the furniture. The revenue, however, which is derived from such things, must always be ultimately drawn from some other source of revenue. Of all parts of the stock, either of an individual or of a society reserved for immediate consumption, what is laid out in houses is most slowly consumed. A stock of clothes may last several years; a stock of furniture half a century or a century; but a stock of houses, well built and properly taken care of, may last many centuries. Though the period of their total consumption, however, is more distant, they are still as really a stock reserved for immediate consumption as either clothes or household furniture.

The second of the three portions into which the general stock of the society divides itself, is the fixed capital; of which the characteristic is, that it affords a revenue or profit without circulating or changing masters. It consists chiefly of the four following articles:

First, Of all useful machines and instruments of trade which facilitate and abridge labour:

Secondly, Of all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them and pays that rent for them; such as shops, warehouses, workhouses, farm-houses, with all their necessary buildings; stables, granaries, &c. These are very different from mere dwelling-houses. They are a sort of instruments of trade, and may be considered in the same light:

Thirdly, Of the improvements of land, of what has been profitably laid out in clearing, draining, enclosing, manuring, and reducing it into the condition most proper for tillage and culture. An improved farm may very justly be regarded in the same light as those useful machines which facilitate and abridge labour, and by means of which, an equal

[1] See preceding note.

[2] A dwelling-house is indirectly at least, if not directly, a source of revenue. To enable any useful or industrious undertaking to be carried on, those employed in it must be lodged: and it therefore follows, that the capital laid out in [illegible] persons is employed [illegible] in the tools or instruments they make use of in their respective [illegible]. The possession of a house is quite as necessary to enable a weaver, for example, to prosecute his business, as the possession of a loom; and if the latter be said to be a productive instrument, because it facilitates the labour of the

circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of those machines, frequently requiring no other repairs than the most profitable application of the farmer's capital employed in cultivating it:

Fourthly, Of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit.

The third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital; of which the characteristic is, that it affords a revenue only by circulating, or changing masters. It is composed likewise of four parts:

First, Of the money by means of which all the other three are circulated and distributed to their proper consumers:

Secondly, Of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn-merchant, the brewer, &c., and from the sale of which they expect to derive a profit:

Thirdly, Of the materials, whether altogether rude, or more or less manufactured, of clothes, furniture, and building, which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the manufacturers, the mercers and drapers, the timber-merchants, the carpenters and joiners, the brickmakers, &c.

Fourthly, and lastly, Of the work which is made up and completed, but which is still in the hands of the merchant or manufacturer, and not yet disposed of or distributed to the proper consumers; such as the finished work which we frequently find ready-made in the shops of the smith, the cabinet-maker, the goldsmith, the jeweller, the china-merchant, &c. The circulating capital consists in this manner, of the provisions, materials, and finished work of all kinds that are in the hands of their respective dealers, and of the money that is necessary for circulating and distributing them to those who are to use or to consume them.

Of these four parts provisions, materials, and finished work, are either annually, or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital or in the stock reserved for immediate consumption.

Every fixed capital is both originally derived from, and requires to be continually supported by a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require, too, a capital of the same kind to keep them in constant repair.

No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing without the circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the labourers who cultivate and collect its produce.

To maintain and augment the stock which may be reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and lodges the people. Their riches or poverty depends upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general stock of the society; it must in its turn require continual supplies, without which it would soon cease to exist. These supplies are principally drawn from three sources, the produce of land, of mines, and of fisheries. These afford continual supplies of provisions and materials, of which part is afterwards wrought up into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital. From mines, too, is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes, too, be either lost or sent abroad, and must, therefore, require continual, though, no doubt, much smaller supplies.

Land, mines, and fisheries require all both a fixed and a circulating capital to cultivate them; and their produce replaces with a profit, not only those capitals, but all the

others in the society. Thus the farmer annually replaces to the manufacturer the provisions which he had consumed, and the materials which he had wrought up the year before; and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one and the manufactured produce of the other, are directly bartered for one another; because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same person of whom he chooses to purchase the clothes, furniture, and instruments of trade which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters; and it is the produce of the surface of the earth which extracts the minerals from its bowels.

The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal and equally well applied, it is in proportion to their natural fertility.

In all countries where there is tolerable security, every man of common understanding will endeavour to employ whatever stock he can command in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit either by staying with him or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy who, where there is tolerable security, does not employ all the stock which he commands, whether it be his own or borrowed of other people, in some one or other of those three ways.

In those unfortunate countries, indeed, where men are continually afraid of the violence of their superiors, they frequently bury and conceal a great part of their stock, in order to have it always at hand to carry with them to some place of safety, in case of their being threatened with any of those disasters to which they consider themselves as at all times exposed. This is said to be a common practice in Turkey, in Indostan, and, I believe, in most other governments of Asia. It seems to have been a common practice among our ancestors during the violence of the feudal government. Treasure-trove was in those times considered as no contemptible part of the revenue of the greatest sovereigns in Europe. It consisted in such treasure as was found concealed in the earth, and to which no particular person could prove any right This was regarded in those times as so important an object that it was always considered as belonging to the sovereign, and neither to the finder nor to the proprietor of the land, unless the right to it had been conveyed to the latter by an express clause in his charter. It was put upon the same footing with gold and silver mines, which, without a special clause in the charter, were never supposed to be comprehended in the general grant of the lands, though mines of lead, copper, tin, and coal were, as things of smaller consequence.

CHAP. II.

Of Money considered as a particular Branch of the General Stock of the Society, or of the Expense of maintaining the National Capital.

It has been shown in the first Book, that the price of the greater part of commodities resolves itself into three parts, of which one pays the wages of the labour, another the profits of the stock, and a third the rent of the land which had been employed in producing and bringing them to market: that there are, indeed, some commodities of which the price is made up of two of those parts only, the wages of labour, and the profits of stock: and a very few in which it consists altogether in one, the wages of labour: but that the price of every commodity necessarily resolves itself into some one or other, or all of these three parts; every part of it which goes neither to rent nor to wages, being necessarily profit to somebody.

Since this is the case, it has been observed, with regard to every particular commodity, taken separately; it must be so with regard to all the commodities which compose the whole annual produce of the land and labour of every country, taken complexly. The whole price or exchangeable value of that annual produce must resolve itself into the same three parts, and be parcelled out among the different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land.

But though the whole value of the annual produce of the land and labour of every country is thus divided among and constitutes a revenue to its different inhabitants, yet as in the rent of a private estate, we distinguish between the gross rent and the

neat rent, so may we likewise in the revenue of all the inhabitants of a great country.

The gross rent of a private estate comprehends whatever is paid by the farmer; the neat rent, what remains free to the landlord, after deducting the expense of management, of repairs, and all other necessary charges; or what, without hurting his estate, he can afford to place in his stock reserved for immediate consumption, or to spend upon his table, equipage, the ornaments of his house and furniture, his private enjoyments and amusements. His real wealth is in proportion, not to his gross, but to his neat rent.

The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labour; the neat revenue, what remains free to them after deducting the expense of maintaining, first, their fixed, and secondly, their circulating capital; or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniencies, and amusements. Their real wealth, too, is in proportion, not to their gross, but to their neat revenue.

The whole expense of maintaining the fixed capital must evidently be excluded from the neat revenue of the society. Neither the materials necessary for supporting their useful machines and instruments of trade, their profitable buildings, &c., nor the produce of the labour necessary for fashioning those materials into the proper form, can ever make any part of it. The price of that labour may, indeed, make a part of it; as the workmen so employed may place the whole value of their wages in their stock reserved for immediate consumption. But in other sorts of labour, both the price and the produce go to this stock; the price to that of the workmen, the produce to that of other people, whose subsistence, conveniencies, and amusements, are augmented by the labour of those workmen.

The intention of the fixed capital is to increase the productive powers of labour, or to enable the same number of labourers to perform a much greater quantity of work. In a farm where all the necessary buildings, fences, drains, communications, &c., are in the most perfect good order, the same number of labourers and labouring cattle will raise a much greater produce than in one of equal extent and equally good ground, but not furnished with equal conveniencies. In manufactures the same number of hands, assisted with the best machinery, will work [illegible] than with more imperfect [illegible] trade. The expense [illegible] upon a fixed capital of [illegible] repaid with great profit [illegible] annual produce by a ma[illegible] that of the support which such improvements require. This support, however, still requires a certain portion of that produce, a certain quantity of materials, and the labour of a certain number of workmen, both of which might have been immediately employed to augment the food, clothing, and lodging, the subsistence and conveniencies of the society, are thus diverted to another employment, highly advantageous indeed, but still different from this one. It is upon this account that all such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and the labour of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can afterwards be applied to augment the quantity of work which that or any other machinery is useful only for performing. The undertaker of some great manufactory, who employs a thousand a year in the maintenance of his machinery, if he can reduce this expense to five hundred, will naturally employ the other five hundred in purchasing an additional quantity of materials to be wrought up by an additional number of workmen. The quantity of that work, therefore, which his machinery was useful only for performing, will naturally be augmented, and with it all the advantage and conveniency which the society can derive from that work.

The expense of maintaining the fixed capital in a great country, may very properly be compared to that of repairs in a private estate. The expense of repairs may frequently be necessary for supporting the produce of the estate, and consequently both the gross and the neat rent of the landlord. When by a more proper direction, however, it can be diminished without occasioning any diminution of produce, the gross rent remains at least the same as before, and the neat rent is necessarily augmented.

But though the whole expense of maintaining the fixed capital is thus necessarily excluded from the neat revenue of the society, it is not the same case with that of maintaining the circulating capital. Of the four parts of which this latter capital is composed, money, provisions, materials, and finished work, the three last, it has already been observed, are regularly withdrawn from it, and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever portion of those consumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the neat revenue of the society. The maintenance of those

three parts of the circulating capital, therefore, withdraws no portion of the annual produce from the neat revenue of the society, besides what is necessary for maintaining the fixed capital.

The circulating capital of a society is in this respect different from that of an individual. That of an individual is totally excluded from making any part of his neat revenue, which must consist altogether in his profits. But though the circulating capital of every individual makes a part of that of the society to which he belongs, it is not upon that account totally excluded from making a part likewise of their neat revenue. Though the whole goods in a merchant's shop must by no means be placed in his own stock reserved for immediate consumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occasioning any diminution either of his capital or of theirs.

Money, therefore, is the only part of the circulating capital of a society of which the maintenance can occasion any diminution in their neat revenue.

The fixed capital, and that part of the circulating capital which consists in money, so far as they affect the revenue of the society, bear a very great resemblance to one another.

First, As those machines and instruments of trade, &c., require a certain expense, first to erect them, and afterwards to support them, both which expenses, though they make a part of the gross, are deductions from the neat revenue of the society; so the stock of money which circulates in any country must require a certain expense, first to collect it, and afterwards to support it, both which expenses, though they make a part of the gross, are, in the same manner, deductions from the neat revenue of the society. A certain quantity of very valuable materials, gold and silver, and of very curious labour, instead of augmenting the stock reserved for immediate consumption, the subsistence, conveniencies, and amusements of individuals, is employed in supporting that great but expensive instrument of commerce, by means of which every individual in the society has his subsistence, conveniencies, and amusements regularly distributed to him in their proper proportions.

Secondly, As the machines and instruments of trade, &c. which compose the fixed capital either of an individual or of a society, make no part either of the gross or of the neat revenue of either; so money, by means of which the whole revenue of the society is regularly distributed among all its different members, makes itself no part of that revenue. The great wheel of circulation is altogether different from the goods which are circulated by means of it. The revenue of the society consists altogether in those goods, and not in the wheel which circulates them. In computing either the gross or the neat revenue of any society, we must always, from their whole annual circulation of money and goods, deduct the whole value of the money, of which not a single farthing can ever make any part of either.

It is the ambiguity of language only which can make this proposition appear either doubtful or paradoxical. When properly explained and understood, it is almost self-evident.

When we talk of any particular sum of money, we sometimes mean nothing but the metal pieces of which it is composed; and sometimes we include in our meaning some obscure reference to the goods which can be had in exchange for it, or to the power of purchasing which the possession of it conveys. Thus when we say that the circulating money of England has been computed at eighteen millions, we mean only to express the amount of the metal pieces which some writers have computed, or rather have supposed to circulate in that country. But when we say that a man is worth fifty or a hundred pounds a year, we mean commonly to express not only the amount of the metal pieces which are annually paid to him, but the value of the goods which he can annually purchase or consume. We mean commonly to ascertain what is or ought to be his way of living, or the quantity and quality of the necessaries and conveniencies of life in which he can with propriety indulge himself.

When, by any particular sum of money, we mean not only to express the amount of the metal pieces of which it is composed, but to include in its signification some obscure reference to the goods which can be had in exchange for them, the wealth or revenue which it in this case denotes, is equal only to one of the two values which are thus intimated somewhat ambiguously by the same word, and to the latter more properly than to the former, to the money's worth more properly than to the money.

Thus if a guinea be the weekly pension of a particular person, he can in the course of the week purchase with it a certain quantity of subsistence, conveniencies, and amusements. In proportion as this quantity is great or small, so are his real riches, his real weekly revenue. His weekly revenue is certainly not equal both to the guinea, and to what can be purchased with it, but only to one or other of those two equal values; and to the latter more properly than to the former, to the guinea's worth rather than to the guinea.

If the pension of such a person was paid to him, not in gold, but in a weekly bill for a guinea, his revenue surely would not so properly consist in the piece of paper, as in

what he could get for it. A guinea may be considered as a bill for a certain quantity of necessaries and conveniencies upon all the tradesmen in the neighbourhood. The revenue of the person to whom it is paid, does not so properly consist in the piece of gold, as in what he can get for it, or in what he can exchange it for. If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the most useless piece of paper.

Though the weekly or yearly revenue of all the different inhabitants of any country, in the same manner, may be, and in reality frequently is paid to them in money, their real riches, however, the real weekly or yearly revenue of all of them taken together, must always be great or small in proportion to the quantity of consumable goods which they can all of them purchase with this money. The whole revenue of all of them taken together is evidently not equal to both the money and the consumable goods; but only to one or other of those two values, and to the latter more properly than to the former.

Though we frequently, therefore, express a person's revenue by the metal pieces which are annually paid to him, it is because the amount of those pieces regulates the extent of his power of purchasing, or the value of the goods which he can annually afford to consume. We still consider his revenue as consisting in this power of purchasing or consuming, and not in the pieces which convey it.

But if this is sufficiently evident even with regard to an individual, it is still more so with regard to a society The amount of the metal pieces which are annually paid to an individual, is often precisely equal to his revenue, and is upon that account the shortest and best expression of its value. But the amount of the metal pieces which circulate in a society, can never be equal to the revenue of all its members. As the same guinea which pays the weekly pension of one man to-day, may pay that of another to-morrow, and that of a third the day thereafter, the amount of the metal pieces which annually circulate in any country, must always be of much less value than the whole money pensions annually paid with them. But the power of purchasing, or the goods which can successively be bought with the whole of those money pensions as they are successively paid, must always be precisely of the same value with those pensions; as must likewise be the revenue of the different persons to whom they are paid. That revenue, therefore, cannot consist in the metal pieces, of which the amount [illegible] to its value, but in the goods which can [illegible] with them as they circulate from hand [illegible]

Money, therefore, [illegible] of circulation, the great instrument of commerce, like all other instruments of trade, though it makes a part, and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs; and though the metal pieces of which it is composed, in the course of their annual circulation, distribute to every man the revenue which properly belongs to him, they make themselves no part of that revenue.

Thirdly, and lastly, The machines and instruments of trade, &c. which compose the fixed capital, bear this further resemblance to that part of the circulating capital which consists in money; that as every saving in the expense of erecting and supporting those machines, which does not diminish the productive powers of labour, is an improvement of the neat revenue of the society; so every saving in the expense of collecting and supporting that part of the circulating capital which consists in money, is an improvement of exactly the same kind.

It is sufficiently obvious, and it has partly too been explained already, in what manner every saving in the expense of supporting the fixed capital is an improvement of the neat revenue of the society. The whole capital of the undertaker of every work is necessarily divided between his fixed and his circulating capital. While his whole capital remains the same, the smaller the one part, the greater must necessarily be the other. It is the circulating capital which furnishes the materials and wages of labour, and puts industry into motion. Every saving, therefore, in the expense of maintaining the fixed capital, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of land and labour, the real revenue of every society.

The substitution of paper in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly, and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain than the old one. But in what manner this operation is performed, and in what manner it tends to increase either the gross or the neat revenue of the society, is not altogether so obvious, and may therefore require some further explication.

There are several different sorts of paper money; but the circulating notes of banks and bankers are the species which is best known, and which seems best adapted for this purpose.

When the people of any particular country have such confidence in the fortune, probity, and prudence of a particular banker, as to believe that he is always ready to pay upon demand such of his promissory notes as are likely to be at any time presented to

him; those notes come to have the same currency as gold and silver money, from the confidence that such money can at any time be had for them.

A particular banker lends among his customers his own promissory notes, to the extent, we shall suppose, of a hundred thousand pounds. As those notes serve all the purposes of money, his debtors pay him the same interest as if he had lent them so much money. This interest is the source of his gain. Though some of those notes are continually coming back upon him for payment, part of them continue to circulate for months and years together. Though he has generally in circulation, therefore, notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may frequently be a sufficient provision for answering occasional demands. By this operation, therefore, twenty thousand pounds in gold and silver perform all the functions which a hundred thousand could otherwise have performed. The same exchanges may be made, the same quantity of consumable goods may be circulated and distributed to their proper consumers, by means of his promissory notes, to the value of a hundred thousand pounds, as by an equal value of gold and silver money. Eighty thousand pounds of gold and silver, therefore can, in this manner, be spared from the circulation of the country; and if different operations of the same kind should, at the same time, be carried on by many different banks and bankers, the whole circulation may thus be conducted with a fifth part only of the gold and silver which would otherwise have been requisite.

Let us suppose, for example, that the whole circulating money of some particular country amounted, at a particular time, to one million sterling, that sum being then sufficient for circulating the whole annual produce of their land and labour. Let us suppose too, that some time thereafter, different banks and bankers issued promissory notes payable to the bearer, to the extent of one million, reserving in their different coffers two hundred thousand pounds for answering occasional demands. There would remain, therefore, in circulation, eight hundred thousand pounds in gold and silver, and a million of bank notes, or eighteen hundred thousand pounds of paper and money together. But the annual produce of the land and labour of the country had before required only one million to circulate and distribute it to its proper consumers, and that annual produce cannot be immediately augmented by those operations of banking. One million, therefore, will be sufficient to circulate it after them. The goods to be bought and sold being precisely the same as before, the same quantity of money will be sufficient for buying and selling them. The channel of circulation, if I may be allowed such an expression, will remain precisely the same as before. One million we have supposed sufficient to fill that channel. Whatever, therefore, is poured into it beyond this sum, cannot run in it, but must overflow. [1] One million eight hundred thousand pounds are poured into it. Eight hundred thousand pounds, therefore, must overflow, that sum being over and above what can be employed in the circulation of the country. But though this sum cannot be employed at home, it is too valuable to be allowed to lie idle. It will, therefore, be sent abroad, in order to seek that profitable employment which it cannot find at home. But the paper cannot go abroad; because at a distance from the banks which issue it, and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and silver, therefore, to the amount of eight hundred thousand pounds will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of the million of those metals which filled it before.

But though so great a quantity of gold and silver is thus sent abroad, we must not imagine that it is sent abroad for nothing, or that its proprietors make a present of it to foreign nations. They will exchange it for foreign goods of some kind or another, in order to supply the consumption either of some other foreign country or of their own.

If they employ it in purchasing goods in one foreign country in order to supply the consumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to the neat revenue of their own country. It is like a new fund, created for carrying on a new trade; domestic business being now transacted by paper, and the gold and silver being converted into a fund for this now trade.

If they employ it in purchasing foreign goods for home consumption, they may either, first, purchase such goods as are likely to be consumed by idle people who produce nothing, such as foreign wines, foreign silks, &c.; or, secondly, they may purchase an additional stock of materials, tools, and provisions, in order to maintain and employ an additional number of industrious people, who reproduce, with a profit, the value of their annual consumption.

So far as it is employed in the first way, it promotes prodigality, increases expense and consumption without increasing production, or establishing any permanent fund for sup-

[1] That is, provided the value of gold continue the same as before, and paper be of the same value as gold. Should the value of gold decline, or should the value of paper fall below that of gold, the quantity of the one or the other remaining in circulation would be proportionally increased.

porting that expense, and is in every respect hurtful to the society. [1]

So far as it is employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption, the people who consume re-producing, with a profit, the whole value of their annual consumption. The gross revenue of the society, the annual produce of their land and labour, is increased by the whole value which the labour of those workmen adds to the materials upon which they are employed; and their neat revenue by what remains of this value, after deducting what is necessary for supporting the tools and instruments of their trade.

That the greater part of the gold and silver which, being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is and must be employed in purchasing those of this second kind, seems not only probable, but almost unavoidable. Though some particular men may sometimes increase their expense very considerably, though their revenue does not increase at all, we may be assured that no class or order of men ever does so; because, though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every class or order; but the revenue of idle people, considered as a class or order, cannot, in the smallest degree, be increased by those operations of banking. Their expense in general, therefore, cannot be much increased by them, though that of a few individuals among them may, and in reality sometimes is. The demand of idle people, therefore, for foreign goods being the same, or very nearly the same, as before, a very small part of the money, which being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is likely to be employed in purchasing those for their use. The greater part of it will naturally be destined for the employment of industry, and not for the maintenance of idleness.

When we compute the quantity of industry which the circulating capital of any society can employ, we must always have regard to those parts of it only which consist in provisions, materials, and finished work: the other, which consists in money, and which serves only to circulate those three, must always be deducted. In order to put industry into motion, three things are requisite: mate[illegible] [illegible]on, tools to work with, and [illegible] [illegible]mpence for the sake of which the work is done. Money is neither a material to work upon, nor a tool to work with; and though the wages of the workmen are commonly paid to him in money, his real revenue, like that of all other men, consists not in the money, but in the money's worth; not in the metal pieces, but in what can be got for them.

The quantity of industry which any capital can employ, must evidently be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work. Money may be requisite for purchasing the materials and tools of the work, as well as the maintenance of the workmen; but the quantity of industry which the whole capital can employ, is certainly not equal both to the money which purchases, and to the materials, tools, and maintenance which are purchased with it; but only to one or other of those two values, and to the latter more properly than to the former.

When paper is substituted in the room of gold and silver money, the quantity of the materials, tools, and maintenance which the whole circulating capital can supply, may be increased by the whole value of gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution is added to the goods which are circulated and distributed by means of it. The operation, in some measure, resembles that of the undertaker of some great work, who, in consequence of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furnishes materials and wages to his workmen.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impossible to determine. It has been computed by different authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value; but how small soever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a small part of that produce is ever destined for the maintenance of industry, it must always bear a very considerable proportion to that part. When, therefore, by the substitution of paper, the gold and silver necessary for circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four-fifths be added to the funds which are destined for the maintenance

[1] Dr. Smith [illegible] [illegible] part only of the metallic [illegible] [illegible] 19 the late classes of which [illegible] [illegible] and it is [illegible] [illegible] [illegible] [illegible]mption of the equivalent [illegible] [illegible] be more hurtful to the society than their consumption of any other equal amount of wealth. We shall afterwards endeavour to point out the fallacy of Dr. Smith's theory with respect to productive and unproductive expenditure.

of industry, it must make a very considerable addition to the quantity of that industry, and consequently to the value of the annual produce of land and labour.

An operation of this kind has, within these five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages. The effects of it have been precisely those above described. The business of the country is almost entirely carried on by means of the paper of those different banking companies, with which purchases and payments of all kinds are commonly made. Silver very seldom appears except in the change of a twenty shillings bank note, and gold still seldomer. But though the conduct of all those different companies has not been unexceptionable, and has accordingly required an act of parliament to regulate it, the country, notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted, that the trade of the city of Glasgow doubled in about fifteen years after the first erection of the banks there; and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh, of which the one, called the Bank of Scotland, was established by act of parliament in 1695; the other, called the Royal Bank, by royal charter in 1727. Whether the trade, either of Scotland in general, or of the city of Glasgow in particular, has really increased in so great a proportion during so short a period, I do not pretend to know. If either of them has increased in this proportion, it seems to be an effect too great to be accounted for by the sole operation of this cause. That the trade and industry of Scotland, however, have increased very considerably during this period, and that the banks have contributed a good deal to this increase, cannot be doubted.

The value of the silver money which circulated in Scotland before the Union, in 1707, and which, immediately after it, was brought into the Bank of Scotland in order to be re-coined, amounted to 411,117*l.* 10*s.* 9*d.* sterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined somewhat exceeded that of the silver.[1] There were a good many people too upon this occasion, who, from a diffidence of repayment, did not bring their silver into the Bank of Scotland: and there was, besides, some English coin, which was not called in. The whole value of the gold and silver, therefore, which circulated in Scotland before the Union, cannot be estimated at less than a million sterling. It seems to have constituted almost the whole circulation of that country; for though the circulation of the Bank of Scotland, which had then no rival, was considerable, it seems to have made but a very small part of the whole. In the present times the whole circulation of Scotland cannot be estimated at less than two millions, of which that part which consists in gold and silver, most probably, does not amount to half a million.[2] But though the circulating gold and silver of Scotland have suffered so great a diminution during this period, its real riches and prosperity do not appear to have suffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labour, have evidently been augmented.

It is chiefly by discounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers issue their promissory notes. They deduct always, upon whatever sum they advance, the legal interest till the bill shall become due. The payment of the bill, when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the interest. The banker who advances to the merchant whose bill he discounts, not gold and silver, but his own promissory notes, has the advantage of being able to discount to a greater amount, by the whole value of his promissory notes, which he finds by experience, are commonly in circulation. He is thereby enabled to make his clear gain of interest on so much a larger sum.

The commerce of Scotland, which at present is not very great, was still more inconsiderable when the two first banking companies were established; and those companies would have had but little trade, had they confined their business to the discounting of bills of exchange. They invented, therefore, another method of issuing their promissory notes,—by granting what they called cash accounts, that is, by giving credit to the extent of a certain sum (two or three thousand pounds[3], for example,) to any individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him, within the sum for which the credit had been given, should be repaid upon demand, together with the legal inte-

[1] See Ruddiman's Preface to Anderson's Diplomata, &c. Scotiæ.

[2] The amount of the paper currency of Scotland, in 1825, was estimated by the Committee of the House of Commons on the Promissory Notes of Scotland and Ireland, at 3,309,000*l.*, of which 2,079,000*l.* was said to be in notes of less than five pounds. There are extremely few gold coins in circulation; and their value and that of the silver coins taken together, is not supposed to amount to 500,000*l.* Perhaps the entire currency of that part of the empire may now (1863) be estimated at from 4,000,000*l.* to 4,500,000*l.*

[3] Cash accounts are now frequently given for sums of only 100*l.*, 200*l.*, &c.

rest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of repayment are, so far as I know, peculiar to them, and have perhaps been the principal cause, both of the great trade of those companies, and of the benefit which the country has received from it.

Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it, for example, may repay this sum piecemeal, by twenty and thirty pounds at a time, the company discounting a proportionable part of the interest of the great sum from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments, and by encouraging all those with whom they have any influence to do the same. The banks, when their customers apply to them for money, generally advance it to them in their own promissory notes. These the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provisions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniencies and luxuries with which they supply them, and the merchants again return them to the banks, in order to balance their cash accounts, or to replace what they may have borrowed of them; and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers, or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods which he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred pounds than it would have been, had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds worth more goods; and the number of people employed in preparing his goods for the market must be less by all those that five hundred pounds more stock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him, he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse a larger quantity of goods than the London merchant; and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence the great benefit which the country has derived from this trade.

The facility of discounting bills of exchange, it may be thought indeed, gives the English merchants a conveniency equivalent to the cash accounts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants; and have, besides, the additional conveniency of their cash accounts.[1]

The whole paper money of every kind

[1] Mr. Ricardo has denied this position, and, as it seems, on good grounds. "Cash accounts," he observes, "are credits given by the Scotch bankers to their customers, *in addition to the bills which they discount for them*; but as the bankers, in proportion as they advance money one way, and send it into circulation, are debarred from sending so much in the other, it is difficult to perceive in what the advantage consists. If the whole circulation will bear only one million of paper, one million only can be circulated; and it can be of no real importance either to the bankers or the merchants, whether the whole be paid in discounting bills, or a part be so paid, and the remainder be issued by means of these cash accounts."—*Principles of Political Economy*, first edit. p. 515.

The peculiar advantage of a cash account does not really consist in its enabling a banker to enlarge his advances to his customers; but it consists in—what Mr. Ricardo has not adverted to—the extreme facility it affords of making them. A merchant, or trader, who has obtained such an account, may operate upon it at any time he pleases, and by drafts for sums of any amount; an advantage he could not enjoy to any thing like the same extent, without an infinite deal of trouble and expense, were the loans or advances made to him through the discount of bills.

It is singular, however, notwithstanding the advantage of cash accounts, that the amount of the notes of the Scotch banks in circulation, issued by their means, is but very small, perhaps not more than *an eighth* or *a tenth* part of those issued in the discount of bills. See Evidence of Mr. Gilchrist in

which can easily circulate in any country never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. If twenty shilling notes, for example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of gold and silver which would be necessary for transacting the annual exchanges of twenty shillings value and upwards usually transacted within that country. Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold and silver. Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad, they would immediately demand payment of it from the banks. When this superfluous paper was converted into gold and silver, they could easily find a use for it by sending it abroad; but they could find none while it remained in the shape of paper. There would immediately, therefore, be a run upon the banks to the whole extent of this superfluous paper, and, if they showed any difficulty or backwardness in payment, to a much greater extent; the alarm which this would occasion necessarily increasing the run.

Over and above the expenses which are common to every branch of trade,—such as the expense of house rent, the wages of servants, clerks, accountants, &c., the expenses peculiar to a bank consist chiefly in two articles: First, in the expense of keeping at all times in its coffers, for answering the occasional demands of the holders of its notes, a large sum of money, of which it loses the interest: and, secondly, in the expense of replenishing those coffers as fast as they are emptied by answering such occasional demands.

A banking company which issues more paper than can be employed in the circulation of the country, and of which the excess is continually returning upon them for payment, ought to increase the quantity of gold and silver which they keep at all times in their coffers, not only in proportion to this excessive increase of their circulation, but in a much greater proportion; their notes returning upon them much faster than in proportion to the excess of their quantity. Such a company, therefore, ought to increase the first article of their expense, not only in proportion to this forced increase of their business, but in a much greater proportion.

The coffers of such a company too, though they ought to be filled much fuller, yet must empty themselves much faster than if their business was confined within more reasonable bounds, and must require, not only a more violent, but a more constant and uninterrupted exertion of expense in order to replenish them. The coin too, which is thus continually drawn in such large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is therefore over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it must, in one shape or another, be sent abroad, in order to find that profitable employment which it cannot find at home; and this continual exportation of gold and silver, by enhancing the difficulty, must necessarily enhance still further the expense of the bank, in finding new gold and silver in order to replenish those coffers, which empty themselves so very rapidly. Such a company, therefore, must, in proportion to this forced increase of their business, increase the second article of their expense still more than the first.

Let us suppose that all the paper of a particular bank, which the circulation of the country can easily absorb and employ, amounts exactly to forty thousand pounds; and that for answering occasional demands, this bank is obliged to keep at all times in its coffers ten thousand pounds in gold and silver. Should this bank attempt to circulate forty-four thousand pounds, the four thousand pounds which are over and above what the circulation can easily absorb and employ, will return upon it almost as fast as they are issued. For answering occasional demands, therefore, this bank ought to keep at all times in its coffers, not eleven thousand pounds only, but fourteen thousand pounds. It will thus gain nothing by the interest of the four thousand pounds excessive circulation; and it will lose the whole expense of continually collecting four thousand pounds in gold and silver, which will be continually going out of its coffers as fast as they are brought into them.

Had every particular banking company always understood and attended to its own particular interest, the circulation never could have been over-stocked with paper money. But every particular banking company has not always understood or attended to its own particular interest, and the circulation has frequently been overstocked with paper money.

the Appendix to the Commons' Report on the Expediency of the Bank's resuming Cash Payments in 1819, p. 216.; and the evidence of Mr. Kinnear in the Appendix to the Report of the Committee on the Promissory Notes of Scotland, &c. in 1826. p. 140.

By issuing too great a quantity of paper, of which the excess was continually returning, in order to be exchanged for gold and silver, the Bank of England was for many years together obliged to coin gold to the extent of between eight hundred thousand pounds and a million a year; or at an average, about eight hundred and fifty thousand pounds. For this great coinage the bank (in consequence of the worn and degraded state into which the gold coin had fallen a few years ago) was frequently obliged to purchase gold bullion at the high price of four pounds an ounce, which it soon after issued in coin at 3*l.* 17*s.* 10½*d.* an ounce, losing in this manner between two and a half and three per cent. upon the coinage of so very large a sum. Though the bank, therefore, paid no seignorage, though the government was properly at the expense of the coinage, this liberality of government did not prevent altogether the expense of the bank.[1]

The Scotch banks, in consequence of an excess of the same kind, were all obliged to employ constantly agents at London to collect money for them, at an expense which was seldom below one and a half or two per cent. This money was sent down by the waggon, and insured by the carriers at an additional expense of three quarters per cent. or fifteen shillings on the hundred pounds. Those agents were not always able to replenish the coffers of their employers so fast as they were emptied. In this case the resource of the banks was, to draw upon their correspondents in London bills of exchange to the extent of the sum which they wanted. When those correspondents afterwards drew upon them for the payment of this sum, together with the interest and a commission, some of those banks, from the distress into which their excessive circulation had thrown them, had sometimes no other means of satisfying this draught but by drawing a second set of bills either upon the same, or upon some other correspondents in London; and the same sum, or rather bills for the same sum, would in this manner make sometimes more than two or three journeys; the debtor bank paying always the interest and commission upon the whole accumulated sum. Even those Scotch banks which never distinguished themselves by their extreme imprudence, were sometimes obliged to employ this ruinous resource.

The gold coin which was paid out either by the Bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewise over and above what could be employed in that circulation, was sometimes sent abroad in the shape of coin, sometimes melted down and sent abroad in the shape of bullion, and sometimes melted down and sold to the Bank of England at the high price of four pounds an ounce. It was the newest, the heaviest, and the best pieces only which were carefully picked out of the whole coin, and either sent abroad or melted down. At home, and while they remained in the shape of coin, those heavy pieces were of no more value than the light: but they were of more value abroad, or when melted down into bullion, at home. The Bank of England, notwithstanding their great annual coinage, found to their astonishment, that there was every year the same scarcity of coin as there had been the year before; and that, notwithstanding the great quantity of good and new coin which was every year issued from the bank, the state of the coin, instead of growing better and better, became every year worse and worse. Every year they found themselves under the necessity of coining nearly the same quantity of gold as they had coined the year before, and from the continual rise in the price of gold bullion, in consequence of the continual wearing and clipping of the coin, the expense of this great annual coinage became every year greater and greater. The Bank of England, it is to be observed, by supplying its own coffers with coin, is indirectly obliged to supply the whole kingdom, into which coin is continually flowing from those coffers in a great variety of ways. Whatever coin, therefore, was wanted to support this excessive circulation, both of Scotch and English paper money, whatever vacuities this excessive circulation occasioned in the necessary coin of the kingdom, the Bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the Bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almost all the Scotch banks.

The over-trading of some bold projectors in both parts of the United Kingdom, was the original cause of this excessive circulation of paper money.

What a bank can with propriety advance to a merchant or undertaker of any kind, is not, either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only which he

[1] The drain of gold, previously to 1772, here alluded to, has sometimes been considered not as the effect of an over-issue of bank paper, but of the degraded state of the bulk of the gold coin then in circulation. It is certain, however, that if the Bank of England had narrowed her issues a little, the value not only of her own paper, but of the degraded gold currency, would have been raised. The price of bullion would, in consequence, have fallen; and there would no longer have been a motive to demand coin from the Bank. For some farther elucidations of this principle, see note on Money, end of the volume.

would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can easily absorb and employ.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out; so that without any further care or attention, the pond keeps always equally, or very near equally full. Little or no expense can ever be necessary for replenishing the coffers of such a bank.

A merchant, without over-trading, may frequently have occasion for a sum of ready money, even when he has no bills to discount. When a bank, besides discounting his bills, advances him likewise upon such occasions, such sums upon his cash account, and accepts of a piecemeal repayment as the money comes in from the occasional sale of his goods, upon the easy terms of the banking companies of Scotland; it dispenses him entirely from the necessity of keeping any part of his stock by him unemployed and in ready money for answering occasional demands. When such demands actually come upon him, he can answer them sufficiently from his cash account. The bank, however, in dealing with such customers, ought to observe with great attention, whether in the course of some short period (of four, five, six, or eight months, for example) the sum of the repayments which it commonly receives from them, is, or is not, fully equal to that of the advances which it commonly makes to them. If, within the course of such short periods, the sum of the repayments from certain customers is, upon most occasions, fully equal to that of the advances, it may safely continue to deal with such customers. Though the stream which is in this case continually running out from its coffers may be very large, that which is continually running into them must be at least equally large; so that without any further care or attention those coffers are likely to be always equally or very near equally full, and scarce ever to require any extraordinary expense to replenish them. If, on the contrary, the sum of the repayments from certain other customers falls commonly very much short of the advances which it makes to them, it cannot with any safety continue to deal with such customers, at least if they continue to deal with it in this manner. The stream which is in this case continually running out from its coffers is necessarily much larger than that which is continually running in; so that, unless they are replenished by some great and continual effort of expense, those coffers must soon be exhausted altogether.

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their customers, and did not care to deal with any person, whatever might be his fortune or credit, who did not make what they call frequent and regular operations with them. By this attention, besides saving almost entirely the extraordinary expense of replenishing their coffers, they gained two other very considerable advantages.

First, By this attention they were enabled to make some tolerable judgment concerning the thriving or declining circumstances of their debtors, without being obliged to look out for any other evidence besides what their own books afforded them; men being for the most part either regular or irregular in their repayments, according as their circumstances are either thriving or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himself or his agents, observe and inquire both constantly and carefully into the conduct and situation of each of them. But a banking company, which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumstances of the greater part of its debtors beyond what its own books afford it. In requiring frequent and regular repayments from all their customers, the banking companies of Scotland had probably this advantage in view.

Secondly, By this attention they secured themselves from the possibility of issuing more paper money than what the circulation of the country could easily absorb and employ. When they observed, that within moderate periods of time the repayments of a particular customer were upon most occasions fully equal to the advances which they had made to him, they might be assured that the paper money which they had advanced to him had not at any time exceeded the quantity of gold and silver which he would otherwise have been obliged to keep by him for answering occasional de-

mands; and that consequently the paper money which they had circulated by his means, had not at any time exceeded the quantity of gold and silver which would have circulated in the country, had there been no paper money. The frequency, regularity, and amount of his repayments would sufficiently demonstrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwise have been obliged to keep by him unemployed and in ready money for answering occasional demands; that is, for the purpose of keeping the rest of his capital in constant employment. It is this part of his capital only which, within moderate periods of time, is continually returning to every dealer in the shape of money, whether paper or coin, and continually going from him in the same shape. If the advances of the bank had commonly exceeded this part of his capital, the ordinary amount of his repayments could not, within moderate periods of time, have equalled the ordinary amount of its advances. The stream which, by means of his dealings, was continually running into the coffers of the bank, could not have been equal to the stream which, by means of the same dealings, was continually running out. The advances of the bank paper, by exceeding the quantity of gold and silver which, had there been no such advances, he would have been obliged to keep by him for answering occasional demands, might soon come to exceed the whole quantity of gold and silver which (the commerce being supposed the same) would have circulated in the country had there been no paper money, and consequently to exceed the quantity which the circulation of the country could easily absorb and employ; and the excess of this paper money would immediately have returned upon the bank in order to be exchanged for gold and silver. This second advantage, though equally real, was not, perhaps, so well understood by all the different banking companies of Scotland as the first.

When, partly by the conveniency of discounting bills, and partly by that of cash accounts, the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed and in ready money for answering occasional demands, they can reasonably expect no farther assistance from banks and bankers, who, when they have gone thus far, cannot, consistently with their own interest and safety, go farther. A bank cannot, consistently with its own interest, advance to a trader the whole or even the greater part of the circulating capital with which he trades; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayments could not equal the sum of its advances within such moderate periods of time as suit the conveniency of a bank. Still less could a bank afford to advance him any considerable part of his fixed capital; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and smelting-house, his workhouses and warehouses, the dwelling-houses of his workmen, &c.; of the capital which the undertaker of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and waggon-ways, &c.; of the capital which the person who undertakes to improve land employs in clearing, draining, enclosing, manuring and ploughing waste and uncultivated fields, in building farm-houses, with all their necessary appendages of stables, granaries, &c. The returns of the fixed capital are, in almost all cases, much slower than those of the circulating capital; and such expenses, even when laid out with the greatest prudence and judgment, very seldom return to the undertaker till after a period of many years, a period by far too distant to suit the conveniency of a bank. Traders and other undertakers may, no doubt, with great propriety, carry on a very considerable part of their projects with borrowed money. In justice to their creditors, however, their own capital ought, in this case, to be sufficient to ensure, if I may say so, the capital of those creditors; or to render it extremely improbable that those creditors should incur any loss, even though the success of the project should fall very much short of the expectation of the projectors. Even with this precaution, too, the money which is borrowed, and which it is meant should not be repaid till after a period of several years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of such private people as propose to live upon the interest of their money, without taking the trouble themselves to employ the capital; and who are, upon that account, willing to lend that capital to such people of good credit as are likely to keep it for several years. A bank, indeed, which lends its money without the expense of stamped paper or of attorneys' fees for drawing bonds and mortgages, and which accepts of repayment upon the easy terms of the banking companies of Scotland, would, no doubt, be a very convenient creditor to such traders and undertakers. But such traders and undertakers would, surely, be most inconvenient debtors to such a bank.

It is now more than five-and-twenty years since the paper money issued by the different banking companies of Scotland was fully

equal, or rather was somewhat more than fully equal, to what the circulation of the country could easily absorb and employ. Those companies, therefore, had so long ago given all the assistance to the traders and other undertakers of Scotland which it is possible for banks and bankers, consistently with their own interest, to give. They had even done somewhat more. They had over-traded a little, and had brought upon themselves that loss, or at least that diminution of profit, which in this particular business never fails to attend the smallest degree of over-trading. Those traders and other undertakers, having got so much assistance from banks and bankers, wished to get still more. The banks, they seem to have thought, could extend their credits to whatever sum might be wanted, without incurring any other expense besides that of a few reams of paper. They complained of the contracted views and dastardly spirit of the directors of those banks, which did not, they said, extend their credits in proportion to the extension of the trade of the country; meaning, no doubt, by the extension of that trade, the extension of their own projects beyond what they could carry on, either with their own capital, or with what they had credit to borrow of private people in the usual way of bond or mortgage. The banks, they seem to have thought, were in honour bound to supply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refusing to extend their credits, some of those traders had recourse to an expedient which, for a time, served their purpose, though at a much greater expense, yet as effectually as the utmost extension of bank credits could have done. This expedient was no other than the well-known shift of drawing and re-drawing; the shift to which unfortunate traders have sometimes recourse when they are upon the brink of bankruptcy. The practice of raising money in this manner had been long known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to over-trading, is said to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was soon carried on to a much greater extent than it ever had been in England.

The practice of drawing and re-drawing is so well known to all men of business, that it may perhaps be thought unnecessary to give an account of it. But as this book may come into the hands of many people who are not men of business, and as the effects of this practice upon the banking trade are not perhaps generally understood even by men of business themselves, I shall endeavour to explain it as distinctly as I can.

The customs of merchants, which were established when the barbarous laws of Europe did not enforce the performance of their contracts, and which during the course of the two last centuries have been adopted into the laws of all European nations, have given such extraordinary privileges to bills of exchange, that money is more readily advanced upon them than upon any other species of obligation; especially when they are made payable within so short a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as soon as it is presented, he becomes from that moment a bankrupt. The bill is protested, and returns upon the drawer, who, if he does not immediately pay it, becomes likewise a bankrupt. If, before it came to the person who presents it to the acceptor for payment, it had passed through the hands of several other persons, who had successively advanced to one another the contents of it either in money or goods, and who to express that each of them had in his turn received those contents, had all of them in their order endorsed, that is, written their names upon the back of the bill, each endorser becomes in his turn liable to the owner of the bill for those contents, and, if he fails to pay, he becomes too from that moment a bankrupt. Though the drawer, acceptor, and endorsers of the bill should all of them be persons of doubtful credit, yet still the shortness of the date gives some security to the owner of the bill. Though all of them may be very likely to become bankrupts, it is a chance if they all become so in so short a time. The house is crazy, says a weary traveller to himself, and will not stand very long; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night.

The trader A. in Edinburgh, we shall suppose, draws a bill upon B. in London, payable two months after date. In reality B. in London owes nothing to A. in Edinburgh; but he agrees to accept of A.'s bill, upon condition that before the term of payment he shall redraw upon A. in Edinburgh for the same sum, together with the interest and a commission, another bill, payable likewise two months afterdate. B. accordingly, before the expiration of the first two months, redraws this bill upon A. in Edinburgh; who again, before the expiration of the second two months, draws a second bill upon B. in London, payable likewise two months after date; and before the expiration of the third two months, B. in London redraws upon A. in Edinburgh another bill, payable also two months after date. This practice has sometimes gone on, not only for several months, but for several years together, the bill always

returning upon A. in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent. in the year, and the commission was never less than one half per cent. on each draught. This commission being repeated more than six times in the year, whatever money A. might raise by this expedient must necessarily have cost him something more than eight per cent. in the year, and sometimes a great deal more, when either the price of the commission happened to rise, or when he was obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.[1]

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent., it must have been a very fortunate speculation of which the returns could not only repay the enormous expense at which the money was thus borrowed for carrying it on, but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on without any other fund to support them besides what was raised at this enormous expense. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry them on, they very seldom, I believe, had the good fortune to find it.[2]

The bills which A. in Edinburgh drew upon B. in London, he regularly discounted two months before they were due with some bank or banker in Edinburgh; and the bills which B. in London redrew upon A. in Edinburgh, he as regularly discounted either with the Bank of England, or with some other bankers in London. Whatever was advanced upon such circulating bills, was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were discounted at the Bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced, were all of them repaid in their turn as soon as they became due, yet the value which had been really advanced upon the first bill was never really returned to the banks which advanced it; because, before each bill became due, another bill was always drawn to somewhat a greater amount than the bill which was soon to be paid; and the discounting of this other bill was essentially necessary towards the payment of that which was soon to be due. This payment, therefore, was altogether fictitious. The stream, which, by means of those circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any stream which really run into them.

The paper which was issued upon those circulating bills of exchange, amounted, upon many occasions, to the whole fund destined for carrying on some vast and extensive project of agriculture, commerce, or manufactures; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money for answering occasional demands. The greater part of this paper was, consequently, over and above the value of the gold and silver which would have circulated in the country, had there been no paper money. It was over and above, therefore, what the circulation of the country could easily absorb and em-

[1] Mr. H. Thornton has shown, in his *Essay on Paper Credit* (p. 34.), that Dr. Smith has overrated the expense of raising money by drawing and redrawing bills. The fact is, that transactions in fictitious bills are, in the vast majority of instances, carried on for the joint benefit of the parties. When A. draws on B., he pays him a commission; but when B. is the drawer, A. gets the commission. On the whole, therefore, each party may be supposed to receive about as much as he pays in the shape of commission: and the discount in turning the bills into money, which can hardly exceed five per cent. per annum, must, generally speaking, be considered as the whole expense incurred, exclusive of the stamps.

[2] The method described in the text was by no means either the most common or the most expensive one in which those adventurers sometimes raised money by circulation. It frequently happened that A. in Edinburgh would enable B. in London to pay the first bill of exchange by drawing, a few days before it became due, a second bill at three months date upon the same B. in London. This bill, being payable to his own order, A. sold in Edinburgh at par; and with its contents purchased bills upon London payable at sight to the order of B., to whom he sent them by the post. Towards the end of the late war, the exchange between Edinburgh and London was frequently three per cent. against Edinburgh, and those bills at sight must frequently have cost A. that premium. This transaction therefore being repeated at least four times in the year, and being loaded with a commission of at least one half per cent. upon each repetition, must at that period have cost A. at least fourteen per cent. in the year. At other times A. would enable B. to discharge the first bill of exchange by drawing, a few days before it became due, a second bill at two months date; not upon B., but upon some third person, C., for example, in London. This other bill was made payable to the order of B., who, upon its being accepted by C., discounted it with some banker in London; and A. enabled C. to discharge it by drawing, a few days before it became due, a third bill, likewise at two months date, sometimes upon his first correspondent B., and sometimes upon some fourth or fifth person, D. or E., for example. This third bill was made payable to the order of C.; who, as soon as it was accepted, discounted it in the same manner with some banker in London. Such operations being repeated at least six times in the year, and being loaded with a commission of at least one half per cent. upon each repetition, together with the legal interest of five per cent., this method of raising money, in the same manner as that described in the text, must have cost A. something more than eight per cent. By saving, however, the exchange between Edinburgh and London, it was less expensive than that mentioned in the foregoing part of this note; but then it required an established credit with more houses than one in London, an advantage which many of these adventurers could not always find it easy to procure. (Note by the Author.)

ploy, and upon that account, immediately returned upon the banks in order to be exchanged for gold and silver, which they were to find as they could. It was a capital which those projectors had very artfully contrived to draw from those banks, not only without their knowledge or deliberate consent, but for some time, perhaps, without their having the most distant suspicion that they had really advanced it.

When two people, who are continually drawing and redrawing upon one another, discount their bills always with the same banker, he must immediately discover what they are about, and see clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this discovery is not altogether so easy when they discount their bills sometimes with one banker, and sometimes with another, and when the same two persons do not constantly draw and redraw upon one another, but occasionally run the round of a great circle of projectors, who find it for their interest to assist one another in this method of raising money, and to render it, upon that account, as difficult as possible to distinguish between a real and a fictitious bill of exchange; between a bill drawn by a real creditor upon a real debtor, and a bill for which there was properly no real creditor but the bank which discounted it, nor any real debtor but the projector who made use of the money. When a banker had even made this discovery, he might sometimes make it too late, and might find that he had already discounted the bills of those projectors to so great an extent, that, by refusing to discount any more, he would necessarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himself. For his own interest and safety, therefore, he might find it necessary, in this very perilous situation, to go on for some time, endeavouring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about discounting, in order to force those projectors by degrees to have recourse, either to other bankers, or to other methods of raising money; so as that he himself might, as soon as possible, get out of the circle. The difficulties, accordingly, which the Bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, and when all of them had already gone too far, to make about discounting, not only alarmed, but enraged in the highest degree those projectors. Their own distress, of which this prudent and necessary reserve of the banks was, no doubt, the immediate occasion, they called the distress of the country, and this distress of the country, they said, was altogether owing to the ignorance, pusillanimity, and bad conduct of the banks, which did not give a sufficiently liberal aid to the spirited undertakings of those who exerted themselves in order to beautify, improve, and enrich the country. It was the duty of the banks, they seemed to think, to lend for as long a time, and to as great an extent as they might wish to borrow. The banks, however, by refusing in this manner to give more credit to those, to whom they had already given a great deal too much, took the only method by which it was now possible to save either their own credit or the public credit of the country.

In the midst of this clamour and distress, a new bank was established in Scotland, for the express purpose of relieving the distress of the country.[1] The design was generous; but the execution was imprudent, and the nature and causes of the distress which it meant to relieve were not, perhaps, well understood. This bank was more liberal than any other had ever been, both in granting cash accounts, and in discounting bills of exchange. With regard to the latter, it seems to have made scarce any distinction between real and circulating bills, but to have discounted all equally. It was the avowed principle of this bank to advance, upon any reasonable security, the whole capital which was to be employed in those improvements of which the returns are the most slow and distant, such as the improvements of land. To promote such improvements was even said to be the chief of the public-spirited purposes for which it was instituted. By its liberality in granting cash accounts, and in discounting bills of exchange, it, no doubt, issued great quantities of its bank notes. But those bank notes being, the greater part of them, over and above what the circulation of the country could easily absorb and employ, returned upon it, in order to be exchanged for gold and silver, as fast as they were issued. Its coffers were never well filled. The capital which had been subscribed to this bank at two different subscriptions, amounted to one hundred and sixty thousand pounds, of which eighty per cent. only was paid up. This sum ought to have been paid in at several different instalments. A great part of the proprietors, when they paid in their first instalment, opened a cash account with the

[1] This bank commenced business at Ayr, in November 1769, under the firm of Douglas, Heron, & Co., and had branches at Edinburgh and Dumfries. It suspended payments on the 25th of June 1772, when, as stated in the text, though its paid up capital only amounted to 128,000*l.* (80 per cent. of 160,000*l.*) it had incurred obligations for no less than 800,000*l.* viz. 600,000*l.* of debt accumulated in London, and 200,000*l* of outstanding notes! The large private fortunes of the partners enabled them, in the end, to discharge all claims upon the bank. The total loss incurred before its affairs were finally wound up is said to have amounted to about 400,000*l.* — See the work entitled *Precipitation and Fall of Messrs. Douglas, Heron & Co.*, 4to., Edinburgh, 1778.

bank; and the directors, thinking themselves obliged to treat their own proprietors with the same liberality with which they treated all other men, allowed many of them to borrow upon this cash account what they paid in upon all their subsequent instalments. Such payments, therefore, only put into one coffer, what had the moment before been taken out of another. But had the coffers of this bank been filled ever so well, its excessive circulation must have emptied them faster than they could have been replenished by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with interest and commission, by another draught upon the same place. Its coffers having been filled so very ill, it is said to have been driven to this resource within a very few months after it began to do business. The estates of the proprietors of this bank were worth several millions, and by their subscription to the original bond or contract of the bank, were really pledged for answering all its engagements. By means of the great credit which so great a pledge necessarily gave it, it was, notwithstanding its too liberal conduct, enabled to carry on business for more than two years. When it was obliged to stop, it had in the circulation about two hundred thousand pounds in bank notes. In order to support the circulation of those notes, which were continually returning upon it as fast as they were issued, it had been constantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increasing, and, when it stopt, amounted to upwards of six hundred thousand pounds. This bank, therefore, had, in little more than the course of two years, advanced to different people upwards of eight hundred thousand pounds at five per cent. Upon the two hundred thousand pounds which it circulated in bank notes, this five per cent. might, perhaps, be considered as clear gain, without any other deduction besides the expense of management. But upon upwards of six hundred thousand pounds, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upwards of eight per cent., and was consequently losing more than three per cent. upon more than three fourths of all its dealings.

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks; particularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors, and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier both upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long-run the distress which those projectors had brought both upon themselves and upon their country. It would have been much better for themselves, their creditors, and their country, had the greater part of them been obliged to stop two years sooner than they actually did. The temporary relief, however, which this bank afforded to those projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which those other banks had become so backward in discounting, had recourse to this new bank, where they were received with open arms. Those other banks, therefore, were enabled to get very easily out of that fatal circle, from which they could not otherwise have disengaged themselves, without incurring a considerable loss, and perhaps too even some degree of discredit.

In the long-run, therefore, the operations of this bank increased the real distress of the country which it meant to relieve; and effectually relieved from a very great distress those rivals whom it meant to supplant.

At the first setting out of this bank, it was the opinion of some people, that how fast soever its coffers might be emptied, it might easily replenish them by raising money upon the securities of those to whom it had advanced its paper. Experience, I believe, soon convinced them that this method of raising money was by much too slow to answer their purpose; and that coffers which originally were so ill filled, and which emptied themselves so very fast, could be replenished by no other expedient but the ruinous one of drawing bills upon London, and when they became due, paying them by other draughts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it, yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long-run they must have ruined themselves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and redrawing. They could still have made nothing by the interest of the paper, which, being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold

and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expense of this borrowing, of employing agents to look out for people who had money to lend, of negotiating with those people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The project of replenishing their coffers in this manner may be compared to that of a man who had a water-pond, from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance, in order to bring water to replenish it.

But though this operation had proved, not only practicable, but profitable to the Bank, as a mercantile company, yet the country could have derived no benefit from it; but, on the contrary, must have suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow, must have applied to this bank, instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps, to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors, than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a bank, as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and redrawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expense which they had really cost, would never afford a fund capable of maintaining a quantity of labour equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ the money borrowed in sober undertakings, which were proportioned to their capitals, and which, though they might have less of the grand and the marvellous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labour than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it. It was afterwards adopted, with some variations, by the Duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent, was the real foundation of what is called the Mississippi scheme, the most extravagant project both of banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his Examination of the Political Reflections upon Commerce and Finances of Mr. Du Tot, that I shall not give any account of them. The principles upon which it was founded are explained by Mr. Law himself, in a discourse concerning money and trade, which he published in Scotland, when he first proposed his project. The splendid, but visionary, ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and have perhaps, in part, contributed to that excess of banking which has of late been complained of both in Scotland and in other places.

The Bank of England is the greatest bank of circulation in Europe. It was incorporated, in pursuance of an act of parliament, by a charter under the great seal, dated the 27th of July, 1694. It at that time advanced to government the sum of one million two hundred thousand pounds, for an annuity of one hundred thousand pounds; or for 96,000*l.* a year interest, at the rate of eight per cent., and 4000*l.* a year for the expense of management. The credit of the new government, established by the Revolution, we may believe, must have been very low, when it was obliged to borrow at so high an interest.

In 1697 the bank was allowed to enlarge its capital stock by an engraftment of 1,001,171*l.* 10*s.* Its whole capital stock, therefore, amounted at this time to 2,201,171*l.* 10*s* This engraftment is said to have been for the support of public credit. In 1696, taillies

had been at forty, and fifty, and sixty per cent. discount, and bank notes at twenty per cent.[1] During the great recoinage of the silver, which was going on at this time, the bank had thought proper to discontinue the payment of its notes, which necessarily occasioned their discredit.

In pursuance of the 7th Anne, c. vii. the bank advanced and paid into the exchequer the sum of 400,000*l.*; making in all the sum of 1,600,000*l.* which it had advanced upon its original annuity of 96,000*l.* interest, and 4,000*l.* for expense of management. In 1708, therefore, the credit of government was as good as that of private persons, since it could borrow at six per cent. interest, the common legal and market rate of those times. In pursuance of the same act, the bank cancelled exchequer bills to the amount of 1,775,027*l.* 17*s.* 10½*d.* at six per cent. interest, and was at the same time allowed to take in subscriptions for doubling its capital. In 1708, therefore, the capital of the bank amounted to 4,402,343*l.*; and it had advanced to government the sum of 3,375,027*l.* 17*s.* 10½*d.*

By a call of fifteen per cent. in 1709, there was paid in and made stock 656,204*l.* 1*s.* 9*d.*; and by another of ten per cent. in 1710, 501,448*l.* 12*s.* 11*d.* In consequence of those two calls, therefore, the bank capital amounted to 5,559,995*l.* 14*s.* 8*d.*

In pursuance of the 3rd George I. c. 8. the bank delivered up two millions of exchequer bills to be cancelled. It had at this time, therefore, advanced to government 5,375,027*l* 17*s.* 10*d.* In pursuance of the 8th George I. c. 21. the bank purchased of the South Sea Company, stock to the amount of 4 000,000*l.*; and in 1722, in consequence of the subscriptions which it had taken in for enabling it to make this purchase, its capital stock was increased by 3,400,000*l.* At this time, therefore, the bank had advanced to the public 9,375,027*l.* 17*s.* 10½*d.*; and its capital stock amounted only to 8,959,995*l.* 14*s.* 8*d.* It was upon this occasion that the sum which the bank had advanced to the public, and for which it received interest, began first to exceed its capital stock, or the sum for which it paid a dividend to the proprietors of bank stock; or, in other words, that the bank began to have an undivided capital, over and above its divided one. It has continued to have an undivided capital of the same kind ever since. In 1746, the bank had, upon different occasions, advanced to the public 11,686,800*l.*, and its divided capital had been raised by different calls and subscriptions to 10,780,000*l.* The state of those two sums has continued to be the same ever since. In pursuance of the 4th of George III. c. 25. the bank agreed to pay to government for the renewal of its charter 110,000*l.*, without interest or repayment. This sum, therefore, did not increase either of those two other sums.[2]

The dividend of the bank has varied according to the variations in the rate of the interest which it has, at different times, received for the money it had advanced to the public, as well as according to other circumstances. This rate of interest has gradually been reduced from eight to three per cent. For some years past the bank dividend has been at five and a half per cent.[3]

The stability of the Bank of England is equal to that of the British government. All that it has advanced to the public must be lost before its creditors can sustain any loss. No other banking company in England can be established by act of parliament, or can consist of more than six members. It acts, not only as an ordinary bank, but as a great engine of state. It receives and pays the greater part of the annuities which are due to the creditors of the public,[4] it circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes, which are frequently not paid

[1] James Postlethwaite's History of the Public Revenue, p. 301.

[2] In 1800 the bank agreed to advance 3,000,000*l.* to government for six years, without interest, in consideration of which the charter was prolonged till 12 months' notice, after the first of August, 1833. In 1807 the bank agreed to continue this loan of 3,000,000*l.*, without interest, till six months after a definitive treaty of peace; and in 1816 she farther agreed to continue it till 1833, at 3 per cent. interest. The permanent debt due by the public to the bank from 1800 to 1833 was consequently 14,686,800*l.*; but from 1800 to 1816, the bank only received interest on 11,686,800*l.* In 1833 the charter was continued till 12 months' notice after the 1st of August 1855, with the proviso that it might be terminated on 12 months' notice after the 1st of August 1845. On this occasion the public paid off ¼th part, or 3,671,700*l.* of the sum then due to the bank, making the total debt now (1863) due to her 11,015,100*l.* exclusive, of course, of any sums she may be entitled to on account of the dead weight and other public securities in her possession.

In 1844 it was enacted, by the 7 and 8 Vict. c 32., that the charter of the bank might be terminated at any time after the 1st of August 1855, on 12 months notice being given. For an account of the various important alterations effected by this act in the constitution, &c., of the bank, see Supplemental Note on Money.

In 1782 the bank capital, or the sum on which dividends are paid, was increased from 10,780 000*l.*, the amount mentioned by Smith, to 11,642,400*l.*; and, in 1816, it was further increased to 14,553,000*l.*, It was intended that the sum of 3,671,700*l.*, repaid by the public to the bank in 1833, should be deducted from her capital. But this intention being abandoned, the sum referred to was vested in an annuity which terminated in 1860.

[3] The dividends on bank stock, from 1767 to the present time, have been :—From 1767 to 1781, 5½ per cent. per annum; from 1781 to 1788, 6 per cent.; from 1788 to 1807, 7 per cent.; from 1807 to 1823 10 per cent.; from 1823 to 1839, 8 per cent.; from 1839 to 1849, 7 per cent.; and in 1861 and 1862, 10 and 8½ per cent. The sums paid as dividends are exclusive of those which have occasionally been advanced as bonuses and of income tax.

[4] The sum paid by the public to the Bank of England for managing the public debt, amounted, previously to 1833, to about 270,000*l.* a year. But the act for renewing the charter in that year (3 and 4 Will. IV., c. 98) directed that 120 000*l.* a year should be deducted from the sums she was previously authorized to charge for such management, and they were still farther reduced in 1844. In 1861-62 the total sum paid for the management of the funded and unfunded debt of the empire amounted to 214,830*l.* For full details in regard to the history and present state of the Bank of England, the reader is referred to the art. on that establishment in the *Commercial Dictionary*.

up till some years thereafter. In those different operations, its duty to the public may sometimes have obliged it, without any fault of its directors, to overstock the circulation with paper money. It likewise discounts merchants' bills, and has, upon several different occasions, supported the credit of the principal houses, not only of England, but of Hamburgh and Holland. Upon one occasion, in 1763, it is said to have advanced for this purpose, in one week, about 1,600,000*l.*; a great part of it in bullion. I do not, however, pretend to warrant either the greatness of the sum or the shortness of the time. Upon other occasions, this great company has been reduced to the necessity of paying in sixpences.[1]

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed, and in ready money for answering occasional demands, is so much dead stock, which, so long as it remains in this situation, produces nothing either to him or to his country. The judicious operations of banking enable him to convert this dead stock into active and productive stock; into materials to work upon, into tools to work with, and into provisions and subsistence to work for; into stock which produces something both to himself and to his country. The gold and silver money which circulates in any country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country.[2] The judicious operations of banking, by substituting paper in the room of a great part of this gold and silver, enables the country to convert a great part of this dead stock into active and productive stock; into stock which produces something to the country.[3] The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of banking, by providing, if I may be allowed so violent a metaphor, a sort of waggon-way through the air, enable the country to convert, as it were, a great part of its highways into good pastures and cornfields, and thereby to increase very considerably the annual produce of its land and labour. The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no prudence or skill of those conductors can guard them.

An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that treasure which supported the credit of the paper money, would occasion a much greater confusion in a country where the whole circulation was carried on by paper, than in one where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having been usually paid in paper money, the prince would not have wherewithal either to pay his troops or to furnish his magazines: and the state of the country would be much more irretrievable than if the greater part of its circulation had consisted in gold and silver. A prince anxious to maintain his dominions at all times in the state in which he can most easily defend them, ought, upon this account, to guard, not only against that excessive multiplication of paper money which ruins the very banks which issue it; but even against that multiplication of it which enables them to fill the greater part of the circulation of the country with it.

The circulation of every country may be considered as divided into two different branches: the circulation of the dealers with one another, and the circulation between the dealers and the consumers. Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other, yet as both are constantly going on at the same time, each requires a certain stock of money of one kind or another, to carry it on. The value of the goods circulated between the different dealers never can exceed the value of those circulated between the dealers and

[1] For an account of the circumstances which led to the restriction on cash payments in 1797, and the subsequent history of the Bank of England, see Note on Money, end of the volume.

[2] It is a capital error to affirm, that the gold and silver used as money produce nothing. On the contrary, it is quite obvious that by facilitating exchanges, and enabling the division of labour to be carried to a much greater extent than it could be under a system of barter, they are in no ordinary degree productive.

[3] The operations of banking do not really turn any dead stock into active and productive stock. Their effect is merely to substitute cheap in the place of dear instruments of exchange.

the consumers; whatever is bought by the dealers being ultimately destined to be sold to the consumers. The circulation between the dealers, as it is carried on by wholesale, requires generally a pretty large sum for every particular transaction. That between the dealers and the consumers, on the contrary, as it is generally carried on by retail, frequently requires but very small ones, a shilling, or even a halfpenny, being often sufficient. But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling. Though the annual purchases of all the consumers, therefore, are at least equal in value to those of all the dealers, they can generally be transacted with a much smaller quantity of money; the same pieces, by a more rapid circulation, serving as the instrument of many more purchases of the one kind than of the other.

Paper money may be so regulated, as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no bank notes are circulated under ten pounds value, as in London, paper money confines itself very much to the circulation between the dealers. When a ten pound bank note comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings' worth of goods, so that it often returns into the hands of a dealer, before the consumer has spent the fortieth part of the money. Where bank notes are issued for so small sums as twenty shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the act of parliament, which put a stop to the circulation of ten and five shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as a sixpence.

Where the issuing of bank notes for such very small sums is allowed and commonly practised, many mean people are both enabled and encouraged to become bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by every body, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconveniency, and sometimes even a very great calamity to many poor people who had received their notes in payment.

It were better, perhaps, that no bank notes were issued in any part of the kingdom for a smaller sum than five pounds. Paper money would then, probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no bank notes are issued under ten pounds value; five pounds being, in most parts of the kingdom, a sum which, though it will purchase, perhaps, little more than half the quantity of goods, is as much considered, and is as seldom spent all at once, as ten pounds are amidst the profuse expense of London.[1]

Where paper money, it is to be observed, is pretty much confined to the circulation between dealers and dealers, as in London, there is always plenty of gold and silver. Where it extends itself to a considerable part of the circulation between dealers and consumers, as in Scotland, and still more in North America, it banishes gold and silver almost entirely from the country; almost all the ordinary transactions of its interior commerce being thus carried on by paper. The suppression of ten and five shilling bank notes, somewhat relieved the scarcity of gold and silver in Scotland; and the suppression of twenty shilling notes would probably relieve it still more. Those metals are said to have become more abundant in America since the suppression of some of their paper currencies. They are said, likewise, to have been more abundant before the institution of those currencies.

Though paper money should be pretty much confined to the circulation between dealers and dealers, yet banks and bankers might still be able to give nearly the same assistance to the industry and commerce of the country, as they had done when paper money filled almost the whole circulation. The ready money which a dealer is obliged to keep by him, for answering occasional demands, is destined altogether for the circulation between himself and other dealers, of whom he buys goods. He has no occasion to keep any by him for the circulation between himself and the consumers, who are his customers, and who bring ready money to him, instead of taking any from him. Though no paper money, therefore, was allowed to be issued, but for such sums as

[1] The Bank of England began to issue ten pound notes in 1759; five pound notes in 1793; and one and two pound notes in March 1797. The notes for less than five pounds were mostly withdrawn from circulation in 1822. During the crisis of 1826, however, it was judged expedient to make a fresh issue of about 1,500,000 one pound notes; but a large proportion of these very soon found their way back to the bank. In Dec. 1835, only 282,000 one pound notes were outstanding, most of which have no doubt been lost or destroyed.

would confine it pretty much to the circulation between dealers and dealers, yet, partly by discounting real bills of exchange, and partly by lending upon cash accounts, banks and bankers might still be able to relieve the greater part of those dealers from the necessity of keeping any considerable part of their stock by them, unemployed and in ready money, for answering occasional demands. They might still be able to give the utmost assistance, which banks and bankers can with propriety, give to traders of every kind.

To restrain private people, it may be said, from receiving in payment the promissory notes of a banker, for any sum whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbours are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty; but those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed.

A paper money consisting in bank notes, issued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as soon as presented[1], is, in every respect, equal in value to gold and silver money; since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper, must necessarily be bought or sold as cheap as it could have been for gold and silver.

The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity of gold and silver which is taken from the currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency. From the beginning of the last century to the present time, provisions never were cheaper in Scotland than in 1759, though, from the circulation of ten and five shilling bank notes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland and that in England, is the same now as before the great multiplication of banking companies in Scotland. Corn is, upon most occasions, fully as cheap in England as in France; though there is a great deal of paper money in England, and scarce any in France. In 1751 and in 1752, when Mr. Hume published his Political Discourses, and soon after the great multiplication of paper money in Scotland, there was a very sensible rise in the price of provisions, owing, probably, to the badness of the seasons, and not to the multiplication of paper money.

It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended, in any respect, either upon the good will of those who issued them, or upon a condition which the holder of the notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtaining immediate payment was supposed to be greater or less; or according to the greater or less distance of time at which payment was exigible.

Some years ago the different banking companies of Scotland were in the practice of inserting into their bank notes what they called an Optional Clause, by which they promised payment to the bearer, either as soon as the note should be presented, or, in the option of the directors, six months after such presentment, together with the legal interest for the said six months. The directors of some of those banks sometimes took advantage of this optional clause, and sometimes threatened those who demanded gold and silver in exchange for a considerable number of their notes, that they would take advantage of it, unless such demanders would content themselves with a part of what they demanded. The promissory notes of those banking companies constituted at that time the far greater part of the currency of Scotland, which this uncertainty of payment necessarily degraded below the value of gold and silver money. During the continuance of this abuse, (which prevailed chiefly in 1762, 1763, and 1764,) while the exchange between London and Carlisle was at par, that between London and Dumfries would sometimes be four per cent. against Dumfries, though this town is not thirty miles distant from Carlisle.

[1] The compelling of bankers to give security for the payment of their notes, seems to be the only means by which it is possible effectually to protect the public against their insolvency. That, however, would not obviate those fluctuations in the supply of money that must always occur so long as it is supplied by different issuers, and which are in the last degree injurious. See supplemental note on Money.

But at Carlisle, bills were paid in gold and silver; whereas at Dumfries they were paid in Scotch bank notes, and the uncertainty of getting those bank notes exchanged for gold and silver coin had thus degraded them four per cent. below the value of that coin. The same act of parliament which suppressed ten and five shilling bank notes, suppressed likewise this optional clause, and thereby restored the exchange between England and Scotland to its natural rate, or to what the course of trade and remittances might happen to make it.

In the paper currencies of Yorkshire, the payment of so small a sum as a sixpence sometimes depended upon the condition that the holder of the note should bring the change of a guinea to the person who issued it; a condition, which the holders of such notes might frequently find it very difficult to fulfil, and which must have degraded this currency below the value of gold and silver money. An act of parliament, accordingly, declared all such clauses unlawful, and suppressed, in the same manner as in Scotland, all promissory notes, payable to the bearer, under twenty shillings value.

The paper currencies of North America consisted, not in bank notes payable to the bearer on demand, but in a government paper, of which the payment was not exigible till several years after it was issued: and though the colony governments paid no interest to the holders of this paper, they declared it to be, and in fact rendered it, a legal tender of payment for the full value for which it was issued. But allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at six per cent. is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice, as has scarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honest and downright Dr. Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors. The government of Pennsylvania, indeed, pretended, upon their first emission of paper money, in 1722, to render their paper of equal value with gold and silver, by enacting penalties against all those who made any difference in the price of their goods when they sold them for a colony paper, and when they sold them for gold and silver; a regulation equally tyrannical, but much less effectual than that which it was meant to support. A positive law may render a shilling a legal tender for a guinea; because it may direct the courts of justice to discharge the debtor who has made that tender. But no positive law can oblige a person who sells goods, and who is at liberty to sell or not to sell as he pleases, to accept of a shilling as equivalent to a guinea in the price of them. Notwithstanding any regulation of this kind, it appeared by the course of exchange with Great Britain, that a hundred pounds sterling was occasionally considered as equivalent, in some of the colonies, to a hundred and thirty pounds, and in others to so great a sum as eleven hundred pounds currency; this difference in the value arising from the difference in the quantity of paper emitted in the different colonies, and in the distance and probability of the term of its final discharge and redemption.

No law, therefore, could be more equitable than the act of parliament, so unjustly complained of in the colonies, which declared that no paper currency to be emitted there in time coming, should be a legal tender of payment.

Pennsylvania was always more moderate in its emissions of paper money than any other of our colonies. Its paper currency accordingly is said never to have sunk below the value of the gold and silver which was current in the colony before the first emission of its paper money. Before that emission, the colony had raised the denomination of its coin, and had, by act of assembly, ordered five shillings sterling to pass in the colony for six and threepence, and afterwards for six and eightpence. A pound colony currency, therefore, even when that currency was gold and silver, was more than thirty per cent. below the value of a pound sterling, and when that currency was turned into paper, it was seldom much more than thirty per cent. below that value. The pretence for raising the denomination of the coin, was to prevent the exportation of gold and silver, by making equal quantities of those metals pass for greater sums in the colony than they did in the mother country. It was found, however, that the price of all goods from the mother country rose exactly in proportion as they raised the denomination of their coin, so that their gold and silver were exported as fast as ever.

The paper of each colony being received in the payment of the provincial taxes, for the full value for which it had been issued, it necessarily derived from this use some additional value, over and above what it would have had, from the real or supposed distance of the term of its final discharge and redemption. This additional value was greater or less, according as the quantity of paper issued was more or less above what could be employed in the payment of the taxes of the particular colony which issued it. It was in all the colonies very much

above what could be employed in this manner.[1]

A prince, who should enact that a certain proportion of his taxes should be paid in a paper money of a certain kind, might thereby give a certain value to this paper money; even though the term of its final discharge and redemption should depend altogether upon the will of the prince. If the bank which issued this paper was careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even bear a premium, or sell for somewhat more in the market than the quantity of gold or silver currency for which it was issued. Some people account in this manner for what is called the Agio of the bank of Amsterdam, or for the superiority of bank money over current money; though this bank money, as they pretend, cannot be taken out of the bank at the will of the owner. The greater part of foreign bills of exchange must be paid in bank money, that is, by a transfer in the books of the bank; and the directors of the bank, they allege, are careful to keep the whole quantity of bank money always below what this use occasions a demand for. It is upon this account, they say, that bank money sells for a premium, or bears an agio of four or five per cent. above the same nominal sum of the gold and silver currency of the country. This account of the bank of Amsterdam, however, it will appear hereafter, is in a great measure chimerical.

A paper currency which falls below the value of gold and silver coin, does not thereby sink the value of those metals, or occasion equal quantities of them to exchange for a smaller quantity of goods of any other kind. The proportion between the value of gold and silver and that of goods of any other kind, depends in all cases, not upon the nature or quantity of any particular paper money, which may be current in any particular country, but upon the richness or poverty of the mines, which happen at any particular time to supply the great market of the commercial world with those metals. It depends upon the proportion between the quantity of labour which is necessary in order to bring a certain quantity of gold and silver to market, and that which is necessary in order to bring thither a certain quantity of any other sort of goods.

If bankers are restrained from issuing any circulating bank notes, or notes payable to the bearer, for less than a certain sum; and if they are subjected to the obligation of an immediate and unconditional payment of such bank notes as soon as presented, their trade may, with safety to the public, be rendered in all other respects perfectly free.[2] The late multiplication of banking companies in both parts of the United Kingdom, an event by which many people have been much alarmed, instead of diminishing, increases the security of the public. It obliges all of them to be more circumspect in their conduct, and, by not extending their currency beyond its due proportion to their cash, to guard themselves against those malicious runs which the rivalship of so many competitors is always ready to bring upon them. It restrains the circulation of each particular company within a narrower circle, and reduces their circulating notes to a smaller number. By dividing the whole circulation into a greater number of parts, the failure of any one company — an accident which, in the course of things, must sometimes happen — becomes of less consequence to the public. This free competition too obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away. In general, if any branch of trade or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so

CHAP. III.

Of the Accumulation of Capital, or of productive and unproductive Labour.

THERE is one sort of labour which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as it produces a value, may be called productive, the latter unproductive[3], labour. Thus the labour of a manufacturer adds generally to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he in reality costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed; but the main-

[1] Convertibility into gold or silver, at the pleasure of the holder, is not, as Dr. Smith supposes, necessary to sustain the value of such paper as has been made *legal tender*. Its value may be kept on a par with that of gold, or may be raised to any higher level, by merely limiting its quantity. See note on Money, end of the volume.

[2] But in order to make the obligation of immediate and unconditional payment effectual, it is indispensable that security should be taken from the banks.

[3] Some French authors of great learning and ingenuity have used those words in a different sense. In the last chapter of the fourth book I shall endeavour to show that their sense is an improper one. (Note by the author.)

tenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers; he grows poor by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward as well as that of the former; but the labour of the manufacturer fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion. That subject, or, what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realise itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.

The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realise itself in any permanent subject or vendible commodity which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service, how honourable, how useful, or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection, security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked, some both of the gravest and most important, and some of the most frivolous professions; churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.[1]

Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce, how great soever, can never be infinite, but must have certain limits. Accordingly, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case and the less in the other will remain for the productive, and the

[1] It has been already observed (Introductory Discourse, sect. 2.) that Dr. Smith's distinction between productive and unproductive labour, did not rest on any good foundation. All sorts of labour should plainly be regarded as productive, which occasion, whether directly or indirectly, the production of a greater amount of value than was expended in carrying them on, or even if they only occasion the production of the same amount. Dr. Smith looks upon every sort of labour as unproductive which does not directly contribute to the production of some material and vendible product that may be stocked and stored up for a shorter or longer period. But even if it were true (and Smith has himself admitted that it is not!) that wealth consists only of material and vendible products, his definition would, notwithstanding, be essentially defective. If the multiplication of material objects be the only means of increasing national wealth, it follows that whatever tends (whether directly or indirectly is of no consequence) to facilitate their production must be productive. It is now universally admitted, that agriculturists, manufacturers, and merchants, are productive labourers; and that when they increase their own capitals, they at the same time increase the capital of the country to which they belong. But what is it that enables them to devote all their energies to their respective callings, to prosecute them without interruption, and thus to produce an incomparably greater supply of commodities than if they were distracted by a multiplicity of avocations? We answer, the services and co-operation of those set down by Dr. Smith in the unproductive class! Security is essential to the exercise of every species of industry, and without it no society can emerge from barbarism. And, such being the case, on what pretence can it be said that the magistrates and public functionaries, by whose exertions internal peace is preserved, and the soldiers and sailors by whom we are protected from foreign insult and aggression, are unproductively employed? So far from this being true, it is certain that when these persons properly discharge their high functions, and are not unnecessarily paid or multiplied, they have a right to be classed among those who are most productive. With respect to menial servants, the case is equally clear: a manufacturer, merchant, or banker, who is making a large sum by his business, is also, perhaps, paying a large sum to his servants: now suppose he tries to save this sum; it is evident he cannot do this otherwise than by turning his servants adrift, and becoming coachman, footman, cook, and washerwoman, to himself; and if he do this, it is pretty obvious that instead of increasing his gains, he will reduce them to a wretched pittance. A man will undoubtedly be ruined if he keep too many servants or too many horses; but then the fault is in the excess, and not in the species of labour he employs. Dr. Smith's observations in this chapter are quite inconsistent with his statements as to the division of labour; it is obviously as advantageous that there should be separate classes to perform the functions of magistrates, lawyers, physicians, menials, &c. as that there should be separate classes employed in the different departments of industry. For a further discussion of this question, see *Principles of Political Economy*, 2d ed. p. 523—533

[1] See *antè*, p. 46, where Dr. Smith justly compares a man educated to a difficult and nice trade, at the expense of much labour and time, to an expensive machine, the owner of which is entitled to greater profits on account of the greater capital expended upon and embodied in it.

next year's produce will be greater or smaller accordingly; the whole annual produce, if we except the spontaneous productions of the earth, being the effect of productive labour.

Though the whole annual produce of the land and labour of every country is, no doubt, ultimately destined for supplying the consumption of its inhabitants and for procuring a revenue to them, yet when it first comes either from the ground or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for replacing a capital, or for renewing the provisions, materials, and finished work, which had been withdrawn from a capital; the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person, as the rent of his land. Thus, of the produce of land, one part replaces the capital of the farmer; the other pays his profit and the rent of the landlord; and thus constitutes a revenue both to the owner of this capital, as the profits of his stock, and to some other person, as the rent of his land. Of the produce of a great manufactory, in the same manner, one part, and that always the largest, replaces the capital of the undertaker of the work; the other pays his profit, and thus constitutes a revenue to the owner of this capital.

That part of the annual produce of the land and labour of any country which replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue, either as profit or as rent, may maintain indifferently either productive or unproductive hands.

Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, in maintaining productive hands only; and after having served in the function of a capital to him, it constitutes a revenue to them. Whenever he employs any part of it in maintaining unproductive hands of any kind, that part is from that moment withdrawn from his capital, and placed in his stock reserved for immediate consumption.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue; either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the rent of land, or as the profits of stock; or, secondly, by that part which, though originally destined for replacing a capital, and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus, not only the great landlord or the rich merchant, but even the common workman, if his wages are considerable, may maintain a menial servant, or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or he may pay some taxes, and thus help to maintain another set, more honourable and useful, indeed, but equally unproductive. No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour, or all that it could put into motion in the way in which it was employed. The workman must have earned his wages by work done, before he can employ any part of them in this manner. That part, too, is generally but a small one. It is his spare revenue only, of which productive labourers have seldom a great deal. They generally have some, however; and in the payment of taxes the greatness of their number may compensate, in some measure, the smallness of their contribution. The rent of land and the profits of stock are everywhere, therefore, the principal sources from which unproductive hands derive their subsistence. These are the two sorts of revenue of which the owners have generally most to spare. They might both maintain indifferently either productive or unproductive hands. They seem, however, to have some predilection for the latter. The expense of a great lord feeds generally more idle than industrious people. The rich merchant, though with his capital he maintains industrious people only, yet by his expense, that is, by the employment of his revenue, he feeds commonly the very same sort as the great lord.

The proportion, therefore, between the productive and unproductive hands depends very much in every country upon the proportion between that part of the annual produce which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent or as profit. This proportion is very different in rich from what it is in poor countries.

Thus, at present, in the opulent countries of Europe, a very large, frequently the largest, portion of the produce of the land is destined for replacing the capital of the rich and independent farmer; the other for paying his profits, and the rent of the landlord. But anciently, during the prevalency of the feudal government, a very small portion of the produce was sufficient to replace the capital employed in cultivation.

It consisted commonly in a few wretched cattle, maintained altogether by the spontaneous produce of uncultivated land, and which might, therefore, be considered as a part of that spontaneous produce. It generally, too, belonged to the landlord, and was by him advanced to the occupiers of the land. All the rest of the produce properly belonged to him too, either as rent for his land, or as profit upon this paltry capital. The occupiers of land were generally bondmen, whose persons and effects were equally his property. Those who were not bondmen were tenants at will; and though the rent which they paid was often nominally little more than a quit-rent, it really amounted to the whole produce of the land. Their lord could at all times command their labour in peace, and their service in war. Though they lived at a distance from his house, they were equally dependant upon him as his retainers who lived in it. But the whole produce of the land undoubtedly belongs to him, who can dispose of the labour and service of all those whom it maintains. In the present state of Europe, the share of the landlord seldom exceeds a third, sometimes not a fourth, part of the whole produce of the land. The rent of land, however, in all the improved parts of the country, has been tripled and quadrupled since those ancient times; and this third or fourth part of the annual produce is, it seems, three or four times greater than the whole had been before. In the progress of improvement, rent, though it increases in proportion to the extent, diminishes in proportion to the produce of the land.

In the opulent countries of Europe, great capitals are at present employed in trade and manufactures. In the ancient state, the little trade that was stirring, and the few homely and coarse manufactures that were carried on, required but very small capitals. These, however, must have yielded very large profits. The rate of interest was nowhere less than ten per cent., and their profits must have been sufficient to afford this great interest. At present, the rate of interest, in the improved parts of Europe, is nowhere higher than six per cent.; and in some of the most improved it is so low as four, three, and two per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock, is always much greater in rich than in poor countries, it is because the stock is much greater: in proportion to the stock, the profits are generally much less.

That part of the annual produce, therefore, which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter.

The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness. We are more industrious than our forefathers, because, in the present times, the funds destined for the maintenance of industry are much greater in proportion to those which are likely to be employed in the maintenance of idleness, than they were two or three centuries ago. Our ancestors were idle for want of a sufficient encouragement to industry. It is better, says the proverb, to play for nothing, than to work for nothing. In mercantile and manufacturing towns, where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving; as in many English, and in most Dutch towns. In those towns which are principally supported by the constant or occasional residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor; as at Rome, Versailles, Compiegne, and Fontainbleau. If you except Rouen and Bordeaux, there is little trade or industry in any of the parliament towns of France; and the inferior ranks of people, being chiefly maintained by the expense of the members of the courts of justice, and of those who come to plead before them, are in general idle and poor. The great trade of Rouen and Bordeaux seems to be altogether the effect of their situation. Rouen is necessarily the entrepôt of almost all the goods which are brought either from foreign countries, or from the maritime provinces of France, for the consumption of the great city of Paris. Bordeaux is, in the same manner, the entrepôt of the wines which grow upon the banks of the Garonne, and of the rivers which run into it, one of the richest wine countries in the world, and which seems to produce the wine fittest for exportation, or best suited to the taste of foreign nations. Such advantageous situations necessarily attract a great capital by the great employment which they afford it; and the employment of this capital is the cause of the industry of those two cities. In the other parliament towns of France, very little more capital seems to be employed than what is necessary for supplying their own consumption; that is, little more than

the smallest capital which can be employed in them. The same thing may be said of Paris, Madrid, and Vienna. Of those three cities, Paris is by far the most industrious; but Paris itself is the principal market of all the manufactures established at Paris, and its own consumption is the principal object of all the trade which it carries on. London, Lisbon, and Copenhagen, are, perhaps, the only three cities in Europe, which are both the constant residence of a court, and can at the same time be considered as trading cities, or as cities which trade not only for their own consumption, but for that of other cities and countries. The situation of all the three is extremely advantageous, and naturally fits them to be the entrepôts of a great part of the goods destined for the consumption of distant places. In a city where a great revenue is spent, to employ with advantage a capital for any other purpose than for supplying the consumption of that city, is probably more difficult than in one in which the inferior ranks of people have no other maintenance but what they derive from the employment of such a capital. The idleness of the greater part of the people who are maintained by the expense of revenue, corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital, and renders it less advantageous to employ a capital there than in other places. There was little trade or industry in Edinburgh before the Union. When the Scotch parliament was no longer to be assembled in it, when it ceased to be the necessary residence of the principal nobility and gentry of Scotland, it became a city of some trade and industry. It still continues, however, to be the residence of the principal courts of justice in Scotland, of the boards of customs and excise, &c. A considerable revenue, therefore, still continues to be spent in it. In trade and industry it is much inferior to Glasgow, of which the inhabitants are chiefly maintained by the employment of capital. The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor, in consequence of a great lord's having taken up his residence in their neighbourhood.

The proportion between capital and revenue, therefore, seems everywhere to regulate the proportion between industry and idleness. Wherever capital predominates, industry prevails; wherever revenue, idleness. Every increase or diminution of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants.

Capitals are increased by parsimony, and diminished by prodigality and misconduct.

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits. As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater.

Parsimony, by increasing the fund which is destined for the maintenance of productive hands, tends to increase the number of those hands whose labour adds to the value of the subject upon which it is bestowed. It tends, therefore, to increase the exchangeable value of the annual produce of the land and labour of the country. It puts into motion an additional quantity of industry, which gives an additional value to the annual produce.

What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people. That portion of his revenue which a rich man annually spends, is, in most cases, consumed by idle guests and menial servants, who leave nothing behind them in return for their consumption. That portion which he annually saves, as, for the sake of the profit, it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different set of people; by labourers, manufacturers, and artificers, who reproduce, with a profit, the value of their annual consumption. His revenue, we shall suppose, is paid him in money. Had he spent the whole, the food, clothing, and lodging, which the whole could have purchased, would have been distributed among the former set of people. By saving a part of it, as that part is, for the sake of the profit, immediately employed as a capital, either by himself or by some other person, the food, clothing, and lodging, which may be purchased with it, are necessarily reserved for the latter. The consumption is the same, but the consumers are different.

By what a frugal man annually saves, he not only affords maintenance to an additional number of productive hands, for that or the ensuing year, but, like the founder of a public workhouse, he establishes, as it were, a perpetual fund for the maintenance of an equal number

in all times to come. The perpetual allotment and destination of this fund, indeed, is not always guarded by any positive law, by any trust right or deed of mortmain. It is always guarded, however, by a very powerful principle, the plain and evident interest of every individual to whom any share of it shall ever belong. No part of it can ever afterwards be employed to maintain any but productive hands, without an evident loss to the person who thus perverts it from its proper destination.

The prodigal perverts it in this manner: By not confining his expense within his income, he encroaches upon his capital. Like him who perverts the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated to the maintenance of industry. By diminishing the funds destined for the employment of productive labour, he necessarily diminishes, so far as it depends upon him, the quantity of that labour which adds a value to the subject upon which it is bestowed, and, consequently, the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. If the prodigality of some was not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish his country.

Though the expense of the prodigal should be altogether in home-made, and no part of it in foreign commodities, its effect upon the productive funds of the society would still be the same. Every year there would still be a certain quantity of food and clothing, which ought to have maintained productive, employed in maintaining unproductive hands. Every year, therefore, there would still be some diminution in what would otherwise have been the value of the annual produce of the land and labour of the country.

This expense, it may be said indeed, not being in foreign goods, and not occasioning any exportation of gold and silver, the same quantity of money would remain in the country as before. But if the quantity of food and clothing which were thus consumed by unproductive, had been distributed among productive hands, they would have reproduced, together with a profit, the full value of their consumption. The same quantity of money would, in this case, equally have remained in the country, and there would, besides, have been a reproduction of an equal value of consumable goods. There would have been two values instead of one.

The same quantity of money, besides, cannot long remain in any country in which the value of the annual produce diminishes. The sole use of money is to circulate consumable goods. By means of it, provisions, materials, and finished work, are bought and sold, and distributed to their proper consumers. The quantity of money, therefore, which can be annually employed in any country, must be determined by the value of the consumable goods annually circulated within it. These must consist either in the immediate produce of the land and labour of the country itself, or in something which had been purchased with some part of that produce. Their value, therefore, must diminish as the value of that produce diminishes, and along with it the quantity of money which can be employed in circulating them. But the money which, by this annual diminution of produce, is annually thrown out of domestic circulation, will not be allowed to lie idle. The interest of whoever possesses it requires that it should be employed. But having no employment at home, it will, in spite of all laws and prohibitions, be sent abroad, and employed in purchasing consumable goods which may be of some use at home. Its annual exportation will, in this manner, continue for some time to add something to the annual consumption of the country beyond the value of its own annual produce. What in the days of its prosperity had been saved from that annual produce, and employed in purchasing gold and silver, will contribute, for some little time, to support its consumption in adversity. The exportation of gold and silver is, in this case, not the cause, but the effect, of its declension, and may even, for some little time, alleviate the misery of that declension.

The quantity of money, on the contrary, must in every country naturally increase as the value of the annual produce increases. The value of the consumable goods annually circulated within the society being greater, will require a greater quantity of money to circulate them. A part of the increased produce, therefore, will naturally be employed in purchasing, wherever it is to be had, the additional quantity of gold and silver necessary for circulating the rest. The increase of those metals will, in this case, be the effect, not the cause, of the public prosperity. Gold and silver are purchased every where in the same manner. The food, clothing, and lodging, the revenue and maintenance, of all those whose labour or stock is employed in bringing them from the mine to the market, is the price paid for them in Peru as well as in England. The country which has this price to pay, will never be long without the quantity of those metals which it has occasion for; and no country will ever long retain a quantity which it has no occasion for.

Whatever, therefore, we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual

produce of its land and labour, as plain reason seems to dictate, or in the quantity of the precious metals which circulate within it, as vulgar prejudices suppose; in either view of the matter, every prodigal appears to be a public enemy, and every frugal man a public benefactor.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in agriculture, mines, fisheries, trade, or manufactures, tends in the same manner to diminish the funds destined for the maintenance of productive labour. In every such project, though the capital is consumed by productive hands only, yet as, by the injudicious manner in which they are employed, they do not reproduce the full value of their consumption, there must always be some diminution in what would otherwise have been the productive funds of the society.

It can seldom happen, indeed, that the circumstances of a great nation can be much affected either by the prodigality or misconduct of individuals: the profusion or imprudence of some being always more than compensated by the frugality and good conduct of others.

With regard to profusion, the principle which prompts to expense, is the passion for present enjoyment; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition; a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce, perhaps, a single instant, in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasion. Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly.

With regard to misconduct, the number of prudent and successful undertakings is everywhere much greater than that of injudicious and unsuccessful ones. After all our complaints of the frequency of bankruptcies, the unhappy men who fall into this misfortune make but a very small part of the whole number engaged in trade, and all other sorts of business; not much more, perhaps, than one in a thousand. Bankruptcy is perhaps the greatest and most humiliating calamity which can befall an innocent man. The greater part of men, therefore, are sufficiently careful to avoid it. Some indeed do not avoid it; as some do not avoid the gallows.

Great nations are never impoverished by private, though they sometimes are by public, prodigality and misconduct. The whole, or almost the whole, public revenue is, in most countries, employed in maintaining unproductive hands. Such are the people who compose a numerous and splendid court, a great ecclesiastical establishment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expense of maintaining them, even while the war lasts. Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year.[1] The next year's produce, therefore, will be less than that of the foregoing; and if the same disorder should continue, that of the third year will be still less than that of the second. Those unproductive hands, who should be maintained by a part only of the spare revenue of the people, may consume so great a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive *labour*, that all the frugality and good conduct of

[1] The capital error of Dr. Smith, in considering the labour of the functionaries employed to maintain internal peace and political independence as unproductive, has been already pointed out (p. 146.). If the number of such functionaries be too much multiplied, or if they be too liberally rewarded, a loss will, no doubt, be incurred. This, however, *is* a circumstance that has nothing to do with the nature of the services they render. If the public pay their servants excessive salaries, or employ more than are required for the purposes of security and good government, it is their own fault. Their conduct is similar to that of a manufacturer who pays his labourers comparatively high wages, and employs more than he has occasion for. But though a state or an individual may act in this absurd manner, it would be rather rash thence to conclude, that all public servants, and all manufacturing labourers are unproductive! If the establishments which provide security and protection be formed on an extravagant scale—if there be more judges and magistrates, more soldiers and sailors than necessary, or if their salaries be larger than would suffice to procure the services of others, let both be reduced. The excess, if there be any, is not of the essence of such establishments, but grows out of the too liberal scale on which they have been arranged.

individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment.

This frugality and good conduct, however, is upon most occasions, it appears from experience, sufficient to compensate, not only the private prodigality and misconduct of individuals, but the public extravagance of government. The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence, is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite not only of the disease, but of the absurd prescriptions of the doctor.

The annual produce of the land and labour of any nation can be increased in its value by no other means but by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. The number of its productive labourers, it is evident, can never be much increased, but in consequence of an increase of capital, or of the funds destined for maintaining them. The productive powers of the same number of labourers cannot be increased, but in consequence either of some addition and improvement to those machines and instruments which facilitate and abridge labour, or of a more proper division and distribution of employment. In either case an additional capital is almost always required. It is by means of an additional capital only, that the undertaker of any work can either provide his workmen with better machinery, or make a more proper distribution of employment among them. When the work to be done consists of a number of parts, to keep every man constantly employed in one way, requires a much greater capital than where every man is occasionally employed in every different part of the work. When we compare, therefore, the state of a nation at two different periods, and find that the annual produce of its land and labour is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourishing, and its trade more extensive; we may be assured that its capital must have increased during the interval between those two periods, and that more must have been added to it by the good conduct of some, than had been taken from it either by the private misconduct of others, or by the public extravagance of government. But we shall find this to have been the case of almost all nations, in all tolerably quiet and peaceable times, even of those who have not enjoyed the most prudent and parsimonious governments. To form a right judgment of it, indeed, we must compare the state of the country at periods somewhat distant from one another. The progress is frequently so gradual, that, at near periods, the improvement is not only not sensible, but, from the declension either of certain branches of industry or of certain districts of the country, things which sometimes happen though the country in general be in great prosperity, there frequently arises a suspicion that the riches and industry of the whole are decaying.

v The annual produce of the land and labour of England, for example, is certainly much greater than it was a little more than a century ago, at the restoration of Charles II. Though at present few people, I believe, doubt of this, yet during this period five years have seldom passed away, in which some book or pamphlet has not been published, written too with such abilities as to gain some authority with the public, and pretending to demonstrate that the wealth of the nation was fast declining, that the country was depopulated, agriculture neglected, manufactures decaying, and trade undone. Nor have these publications been all party pamphlets, the wretched offspring of falsehood and venality: many of them have been written by very candid and very intelligent people, who wrote nothing but what they believed, and for no other reason but because they believed it.

The annual produce of the land and labour of England, again, was certainly much greater at the Restoration than we can suppose it to have been about an hundred years before, at the accession of Elizabeth. At this period, too, we have all reason to believe the country was much more advanced in improvement than it had been about a century before, towards the close of the dissensions between the houses of York and Lancaster. Even then it was probably in a better condition than it had been at the Norman conquest; and at the Norman conquest than during the confusion of the Saxon heptarchy. Even at this early period, it was certainly a more improved country than at the invasion of Julius Cæsar, when its inhabitants were nearly in the same state with the savages in North America.

In each of those periods, however, there was not only much private and public profusion, many expensive and unnecessary wars, great perversion of the annual produce from maintaining productive to maintain unproductive hands; but sometimes, in the confusion of civil discord, such absolute waste and destruction of stock, as might be supposed, not only to retard, as it certainly

did, the natural accumulation of riches. but to have left the country at the end of the period poorer than at the beginning. Thus, in the happiest and most fortunate period of them all, that which has passed since the Restoration, how many disorders and misfortunes have occurred, which, could they have been foreseen, not only the impoverishment, but the total ruin of the country would have been expected from them. The fire and the plague of London, the two Dutch wars, the war in Ireland, the four expensive French wars of 1688, 1702, 1742, and 1756, together with the two disorders of the Revolution, the rebellions of 1715 and 1745. In the course of the four French wars the nation has contracted more than a hundred and forty-five millions of debt, over and above all the other expense which they occasioned; so that the whole cannot be computed at less than two hundred millions. So great a share of the annual produce of the land and labour of the country has, since the Revolution, been employed upon different occasions, in maintaining an extraordinary number of unproductive hands. But had not those wars given this particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced with a profit, the whole value of their consumption. The value of the annual produce of the land and labour of the country would have been considerably increased by it every year, and every year's increase would have augmented still more that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated; more manufactures would have been established, and those which had been established before would have been more extended; and to what height the real wealth and revenue of the country might by this time have been raised, it is not perhaps very easy even to imagine.[1]

But though the profusion of government must undoubtedly have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it. The annual produce of its land and labour is undoubtedly much greater at present than it was either at the Restoration or at the Revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labour, must likewise be much greater. In the midst of all the exactions of government, this capital has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual, and

[1] The American war and the late French war occasioned an expenditure of blood and treasure that has no parallel in the history of the world. The principal of the unredeemed funded and unfunded public debt, which amounted to about 145 millions in 1772, amounts at present (1863) to about 800 millions; and, in addition to the immense sums raised by borrowing, the *gross* produce of the taxes levied in Great Britain and Ireland during the late war exceeded the enormous sum of 1,300 millions! And yet the rapid increase of population, the extension and improvement of agriculture, manufactures, and commerce, the formation of so many new docks, roads, and canals, and the infinite variety of expensive undertakings entered upon and completed during the continuance of hostilities, show clearly that the savings of the mass of the people greatly exceeded the warlike expenditure of Government, and the unprofitable expenditure of individuals. It may be safely affirmed, that no other country could have made such extraordinary exertions without being ruined; and we owe the power to make them to a variety of causes; but chiefly, perhaps, to that security of property and freedom of industry which we enjoy in a greater degree than any other European nation; and to that universal diffusion of intelligence which enables those who carry on any industrial undertaking to press all the powers of nature into their service, and to avail themselves of productive energies, of which a less instructed people would be wholly ignorant.

It has been doubted by some whether the existing capital of the country would have been really greater than it is, had the late war not occurred. It is difficult to come to an exact conclusion upon such a point; but we are very far from supposing, had there been no war, that all, or even the greater part of the vast sums expended in carrying it on, would have been added to the national capital. The gradually increasing pressure of taxation stimulated the industrious portion of the community to make corresponding efforts to preserve their place in society; and gave a spur to industry and invention, and produced a spirit of economy that we should have in vain attempted to excite by any less powerful means. Had taxation been very oppressive, it would not have had this effect; but it was not so high as to produce dejection or despair; though it was at the same time sufficiently heavy to render a considerable increase of exertion and parsimony necessary to prevent it from encroaching on the fortunes of individuals, or at all events from diminishing the rate at which they had previously been increasing. To the excitement afforded by the desire of rising in the world, the fear of falling superadded an additional and powerful stimulus; and the two produced results that could not have been produced by the unassisted operation of either. Without the war, there would have been less industry and less frugality; and, therefore, it may, perhaps, be concluded that the comforts of the mass of the people would have been greater had peace been preserved. But with respect to the *capital* of the country, it is extremely doubtful whether it would have been materially greater than it is, had tranquillity been maintained without interruption from 1793 to the present time.

It would be altogether foreign from the object of this work to enter into any discussion with respect to the moral and political influence of the late contest, or of wars in general. Perhaps, however, were the subject properly investigated, it would be found that war, how afflicting soever to humanity, is not so unfavourable as is commonly supposed to civilization and the arts. But whatever opinion may be entertained on this point, it is certain that the privations occasioned by the most destructive contest are but a trifling evil compared with the loss of political independence and national existence. And no people who set a proper value on their best interests, or entertain a just sense of what they owe to themselves, will ever hesitate about resorting to arms to repel and avenge foreign aggression, to vindicate their honour, or to defend their rights and liberties from outrage and attack.

> Summum crede nefas, animam præferre pudori,
> Et propter vitam, vivendi perdere causas.

For an able and ingenious discussion of this important subject, see the *Discours Preliminaire* prefixed by Ancillon to the first volume of his *Tableau des Révolutions.*

uninterrupted effort to better their own condition. It is this effort, protected by law, and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times. England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.

As frugality increases, and prodigality diminishes the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others.

The revenue of an individual may be spent, either in things which are consumed immediately, and in which one day's expense can neither alleviate nor support that of another; or it may be spent in things more durable, which can therefore be accumulated, and in which every day's expense may, as he chooses, either alleviate or support and heighten the effect of that of the following day. A man of fortune, for example, may either spend his revenue in a profuse and sumptuous table, and in maintaining a great number of menial servants, and a multitude of dogs and horses; or, contenting himself with a frugal table and few attendants, he may lay out the greater part of it in adorning his house or his country villa, in useful or ornamental buildings, in useful or ornamental furniture, in collecting books, statues, pictures; or in things more frivolous—jewels, baubles, ingenious trinkets of different kinds; or, what is most trifling of all, in amassing a great wardrobe of fine clothes, like the favourite and minister of a great prince who died a few years ago. Were two men of equal fortune to spend their revenue, the one chiefly in the one way, the other in the other, the magnificence of the person whose expense had been chiefly in durable commodities, would be continually increasing: every day's expense contributing something to support and heighten the effect of that of the following day; that of the other, on the contrary, would be greater at the end of the period than at the beginning. The former would, at the end of the period, be the richer man of the two; he would have a stock of goods of some kind or other, which, though it might not be worth all that it cost, would always be worth something. No trace or vestige of the expense of the latter would remain, and the effects of ten or twenty years profusion would be as completely annihilated as if they had never existed.

As the one mode of expense is more favourable than the other to the opulence of an individual, so is it likewise to that of a nation. The houses, the furniture, the clothing of the rich, in a little time, become useful to the inferior and middling ranks of people. They are able to purchase them when their superiors grow weary of them; and the general accommodation of the whole people is thus gradually improved, when this mode of expense becomes universal among men of fortune. In countries which have long been rich, you will frequently find the inferior ranks of people in possession both of houses and furniture perfectly good and entire, but of which neither the one could have been built, nor the other have been made for their use. What was formerly a seat of the family of Seymour, is now an inn upon the Bath road. The marriage-bed of James the First of Great Britain, which his queen brought with her from Denmark as a present fit for a sovereign to make to a sovereign, was, a few years ago, the ornament of an alehouse at Dunfermline. In some ancient cities, which either have been long stationary or have gone somewhat to decay, you will sometimes scarce find a single house which could have been built for its present inhabitants. If you go into those houses, too, you will frequently find many excellent, though antiquated pieces of furniture, which are still very fit for use, and which could as little have been made for them. Noble palaces, magnificent villas, great collections of books, statues, pictures, and other curiosities are frequently both an ornament and an honour, not only to the neighbourhood, but to the whole country to which they belong. Versailles is an ornament and an honour to France, Stowe and Wilton to England. Italy still continues to command some sort of veneration by the number of monuments of this kind which it possesses, though the wealth which produced them has decayed, and though the genius which planned them seems to be extinguished, perhaps from not having the same employment.

The expense too, which is laid out in durable commodities, is favourable not only to accumulation, but to frugality. If a person should at any time exceed in it, he can

easily reform without exposing himself to the censure of the public. To reduce very much the number of his servants, to reform his table from great profusion to great frugality, to lay down his equipage after he has once set it up, are changes which cannot escape the observation of his neighbours, and which are supposed to imply some acknowledgment of preceding bad conduct. Few, therefore, of those who have once been so unfortunate as to launch out too far into this sort of expense, have afterwards the courage to reform, till ruin and bankruptcy oblige them. But if a person has, at any time, been at too great an expense in building, in furniture, in books, or pictures, no imprudence can be inferred from his changing his conduct. These are things in which further expense is frequently rendered unnecessary by former expense; andwhen a person stops short, he appears to do so, not because he has exceeded his fortune, but because he has satisfied his fancy.

The expense, besides, that is laid out in durable commodities, gives maintenance, commonly, to a greater number of people than that which is employed in the most profuse hospitality. Of two or three hundred weight of provisions, which may sometimes be served up at a great festival, one half, perhaps, is thrown to the dunghill, and there is always a great deal wasted and abused. But if the expense of this entertainment had been employed in setting to work masons, carpenters, upholsterers, mechanics, &c., a quantity of provisions of equal value would have been distributed among a still greater number of people, who would have bought them in pennyworths and pound weights, and not have lost or thrown away a single ounce of them. In the one way, besides, this expense maintains productive, in the other unproductive hands. In the one way, therefore, it increases, in the other it does not increase, the exchangeable value of the annual produce of the land and labour of the country.

I would not, however, by all this, be understood to mean, that the one species of expense always betokens a more liberal or generous spirit than the other. When a man of fortune spends his revenue chiefly in hospitality, he shares the greater part of it with his friends and companions; but when he employs it in purchasing such durable commodities, he often spends the whole upon his own person, and gives nothing to any body without an equivalent. The latter species of expense, therefore, especially when directed towards frivolous objects, the little ornaments of dress and furniture, jewels, trinkets, gewgaws, frequently indicates, not only a trifling, but a base and selfish disposition. All that I mean is, that the one sort of expense, as it always occasions some accumulation of valuable commodities, as it is more favourable to private frugality, and, consequently, to the increase of the public capital, and as it maintains productive rather than unproductive hands, conduces more than the other to the growth of public opulence.

CHAP. IV.

Of Stock lent at Interest.

The stock which is lent at interest is always considered as a capital by the lender. He expects that in due time it is to be restored to him, and that in the mean time the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive labourers, who reproduce the value with a profit. He can, in this case, both restore the capital and pay the interest, without alienating or encroaching upon any other source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal, and dissipates, in the maintenance of the idle, what was destined for the support of the industrious. He can, in this case, neither restore the capital nor pay the interest, without either alienating or encroaching upon some other source of revenue, such as the property or the rent of land.

The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than in the latter. The man who borrows in order to spend, will soon be ruined, and he who lends to him will generally have occasion to repent of his folly. To borrow or to lend for such a purpose, therefore, is, in all cases, where gross usury is out of the question, contrary to the interest of both parties; and though it no doubt happens sometimes that people do both the one and the other, yet, from the regard that all men have for their own interest, we may be assured that it cannot happen so very frequently as we are sometimes apt to imagine. Ask any rich man of common prudence, to which of the two sorts of people he has lent the greater part of his stock, to those who he thinks will employ it profitably, or to those who will spend it idly, and he will laugh at you for proposing the question. Even among borrowers, therefore, not the people in the world most famous for frugality, the number of the frugal and industrious surpasses considerably that of the prodigal and idle.

The only people to whom stock is commonly lent without their being expected to make any very profitable use of it, are country gentlemen who borrow upon mortgage. Even they scarce ever borrow merely to spend. What they borrow, one may say, is

commonly spent before they borrow it. They have generally consumed so great a quantity of goods, advanced to them upon credit by shopkeepers and tradesmen, that they find it necessary to borrow at interest in order to pay the debt. The capital borrowed replaces the capitals of those shopkeepers and tradesmen, which the country gentlemen could not have replaced from the rents of their estates. It is not properly borrowed in order to be spent, but in order to replace a capital which had been spent before

Almost all loans at interest are made in money, either of paper, or of gold and silver; but what the borrower really wants, and what the lender readily supplies him with, is not the money, but the money's worth, or the goods which it can purchase. If he wants it as a stock for immediate consumption, it is those goods only which he can place in that stock. If he wants it as a capital for employing industry, it is from those goods only that the industrious can be furnished with the tools, materials, and maintenance, necessary for carrying on their work. By means of the loan, the lender, as it were, assigns to the borrower his right to a certain portion of the annual produce of the land and labour of the country, to be employed as the borrower pleases.

The quantity of stock, therefore, or, as it is commonly expressed, of money which can be lent at interest in any country, is not regulated by the value of the money, whether paper or coin, which serves as the instrument of the different loans made in that country, but by the value of that part of the annual produce which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined, not only for replacing a capital, but such a capital as the owner does not care to be at the trouble of employing himself. As such capitals are commonly lent out and paid back in money, they constitute what is called the monied interest. It is distinct, not only from the landed, but from the trading and manufacturing interests, as in these last the owners themselves employ their own capitals. Even in the monied interest, however, the money is, as it were, but the deed of assignment, which conveys from one hand to another those capitals which the owners do not care to employ themselves. Those capitals may be greater, in almost any proportion, than the amount of the money which serves as the instrument of their conveyance; the same pieces of money successively serving for many different loans, as well as for many different purchases. A., for example, lends to W. a thousand pounds, with which W. immediately purchases of B. a thousand pounds' worth of goods. B. having no occasion for the money himself, lends the identical pieces to X., with which X. immediately purchases of C. another thousand pounds worth of goods. C., in the same manner, and for the same reason, lends them to Y., who again purchases goods with them of D. In this manner, the same pieces, either of coin or of paper, may in the course of a few days serve as the instrument of three different loans, and of three different purchases, each of which is, in value, equal to the whole amount of those pieces. What the three monied men, A., B., and C., assign to the three borrowers, W., X., and Y., is the power of making those purchases. In this power consist both the value and the use of the loans. The stock lent by the three monied men is equal to the value of the goods which can be purchased with it, and is three times greater than that of the money with which the purchases are made. Those loans, however, may be all perfectly well secured, the goods purchased by the different debtors being so employed, as, in due time, to bring back, with a profit, an equal value either of coin or of paper. And as the same pieces of money can thus serve as the instrument of different loans to three, or, for the same reason, to thirty times their value, so they may likewise successively serve as the instrument of repayment.

A capital lent at interest may, in this manner, be considered as an assignment, from the lender to the borrower, of a certain considerable portion of the annual produce; upon condition that the borrower in return shall, during the continuance of the loan, annually assign to the lender a smaller portion, called the interest; and at the end of it a portion equally considerable with that which had originally been assigned to him, called the repayment. Though money, either coin or paper, serves generally as the deed of assignment both to the smaller and to the more considerable portion, it is itself altogether different from what is assigned by it.

In proportion as that share of the annual produce which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, increases in any country, what is called the monied interest naturally increases with it. The increase of those particular capitals from which the owners wish to derive a revenue, without being at the trouble of employing them themselves, naturally accompanies the general increase of capitals; or, in other words, as stock increases, the quantity of stock to be lent at interest grows gradually greater and greater.

As the quantity of stock to be lent at interest increases, the interest, or the price which must be paid for the use of that stock, necessarily diminishes, not only from those general causes which make the market price

of things commonly diminish as their quantity increases, but from other causes which are peculiar to this particular case. 'As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There arises, in consequence, a competition between different capitals, the owner of one endeavouring to get possession of that employment which is occupied by another. But, upon most occasions, he can hope to justle that other out of this employment, by no other means but by dealing upon more reasonable terms. He must not only sell what he deals in somewhat cheaper, but, in order to get it to sell, he must sometimes too buy it dearer. The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find employment, but the owners of capitals find it difficult to get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock. But when the profits which can be made by the use of a capital are in this manner diminished, as it were, at both ends, the price which can be paid for the use of it, that is, the rate of interest, must necessarily be diminished with them.

Mr. Locke, Mr. Law, and Mr. Montesquieu, as well as many other writers, seem to have imagined that the increase of the quantity of gold and silver, in consequence of the discovery of the Spanish West Indies, was the real cause of the lowering of the rate of interest through the greater part of Europe. Those metals, they say, having become of less value themselves, the use of any particular portion of them necessarily became of less value too, and consequently the price which could be paid for it. This notion, which at first sight seems so plausible, has been so fully exposed by Mr. Hume, that it is perhaps unnecessary to say any thing more about it. The following very short and plain argument, however, may serve to explain more distinctly the fallacy which seems to have misled those gentlemen.

Before the discovery of the Spanish West Indies, ten per cent. seems to have been the common rate of interest through the greater part of Europe. It has since that time, in different countries, sunk to six, five, four, and three per cent.[1] Let us suppose that in every particular country the value of silver has sunk precisely in the same proportion as the rate of interest; and that in those countries, for example, where interest has been reduced from ten to five per cent. the same quantity of silver can now purchase just half the quantity of goods which it could have purchased before. This supposition will not, I believe, be found any where agreeable to the truth; but it is the most favourable to the opinion which we are going to examine; and, even upon this supposition, it is utterly impossible that the lowering of the value of silver could have the smallest tendency to lower the rate of interest. If a hundred pounds are in those countries now of no more value than fifty pounds were then, ten pounds must now be of no more value than five pounds were then. Whatever were the causes which lowered the value of the capital, the same must necessarily have lowered that of the interest, and exactly in the same proportion. The proportion between the value of the capital and that of the interest must have remained the same, though the rate had never been altered. By altering the rate, on the contrary the proportion between those two values is necessarily altered. If a hundred pounds now are worth no more than fifty were then, five pounds now can be worth no more than two pounds ten shillings were then. By reducing the rate of interest, therefore, from ten to five per cent., we give for the use of a capital, which is supposed to be equal to one half of its former value, an interest which is equal to one fourth only of the value of the former interest.

Any increase in the quantity of silver, while that of the commodities circulated by means of it remained the same, could have no other effect than to diminish the value of that metal. The nominal value of all sorts of goods would be greater, but their real value would be precisely the same as before. They would be exchanged for a greater number of pieces of silver; but the quantity of labour which they could command, the number of people whom they could maintain and employ, would be precisely the same. The capital of the country would be the same, though a greater number of pieces might be requisite for conveying any equal portion of it from one hand to another The deeds of assignment, like the conveyances of a verbose attorney, would be more cumbersome; but the thing assigned would be precisely the same as before, and could produce only the same effects. The funds for maintaining productive labour being the same, the demand for it would be the same.

[1] The rate of interest includes not only a return for the use of the capital lent, but also a farther sum or *premium*, to indemnify the lender for any risk he may run in making the loan. During the period to which Dr. Smith refers, this premium, owing to the unsettled and turbulent state of the times, and the prejudice then so universally entertained against taking interest, was much greater than at present: and when allowance is made for this circumstance, it may be doubted whether the rate of interest, properly so called, or the return for the services of capital lent on unquestionable security, was considerably higher in these rude ages than in our own times.

Its price or wages, therefore, though nominally greater, would really be the same. They would be paid in a greater number of pieces of silver, but they would purchase only the same quantity of goods. The profits of stock would be the same, both nominally and really. The wages of labour are commonly computed by the quantity of silver which is paid to the labourer. When that is increased, therefore, his wages appear to be increased, though they may sometimes be no greater than before. But the profits of stock are not computed by the number of pieces of silver with which they are paid, but by the proportion which those pieces bear to the whole capital employed. Thus, in a particular country, five shillings a week are said to be the common wages of labour, and ten per cent. the common profits of stock. But the whole capital of the country being the same as before, the competition between the different capitals of individuals into which it was divided would likewise be the same. They would all trade with the same advantages and disadvantages. The common proportion between capital and profit, therefore, would be the same, and consequently the common interest of money; what can commonly be given for the use of money being necessarily regulated by what can commonly be made by the use of it.

Any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country, though it might nominally be the same, would really be augmented. It might continue to be expressed by the same quantity of money, but it would command a greater quantity of labour. The quantity of productive labour which it could maintain and employ would be increased, and consequently the demand for that labour. Its wages would naturally rise with the demand, and yet might appear to sink. They might be paid with a smaller quantity of money, but that smaller quantity might purchase a greater quantity of goods than a greater had done before. The profits of stock would be diminished, both really and in appearance. The whole capital of the country being augmented, the competition between the different capitals of which it was composed would naturally be augmented along with it. The owners of those particular capitals would be obliged to content themselves with a smaller proportion of the produce of that labour which their respective capitals employed. The interest of money, keeping pace always with the profits of stock, might, in this manner, be greatly diminished, though the value of money, or the quantity of goods which any particular sum could purchase, was greatly augmented.

In some countries the interest of money has been prohibited by law. But as something can every where be made by the use of money, something ought every where to be paid for the use of it. This regulation, instead of preventing, has been found from experience to increase the evil of usury; the debtor being obliged to pay, not only for the use of the money, but for the risk which his creditor runs by accepting a compensation for that use. He is obliged, if one may say so, to insure his creditor from the penalties of usury.

In countries where interest is permitted, the law, in order to prevent the extortion of usury, generally fixes the highest rate which can be taken without incurring a penalty. This rate ought always to be somewhat above the lowest market price, or the price which is commonly paid for the use of money by those who can give the most undoubted security. If this legal rate should be fixed below the lowest market rate, the effects of this fixation must be nearly the same as those of a total prohibition of interest. The creditor will not lend his money for less than the use of it is worth, and the debtor must pay him for the risk which he runs by accepting the full value of that use. If it is fixed precisely at the lowest market price, it ruins, with honest people who respect the laws of their country, the credit of all those who cannot give the very best security, and obliges them to have recourse to exorbitant usurers. In a country, such as Great Britain, where money is lent to government at three per cent., and to private people upon good security at four and four and a half, the present legal rate, five per cent., is perhaps as proper as any.

The legal rate, it is to be observed, though it ought to be somewhat above, ought not to be much above the lowest market rate. If the legal rate of interest in Great Britain, for example, was fixed so high as eight or ten per cent., the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest.[1] Sober people, who will give for the use of money

[1] It is singular Dr. Smith should have advanced so untenable a proposition. There is evidently no reason for supposing, were the usury laws repealed, and men allowed to bargain for the use of money as they are allowed to bargain for the use of land, houses, &c., that they would be less careful of their interests in the former case than in the latter. The prudence and success of persons engaged in new and unusual undertakings are always considered doubtful; and they rarely obtain loans on such easy terms as those engaged in the ordinary and understood branches of industry. It is, however, unnecessary to enlarge on this subject, as it has been ably discussed, and every objection to the unconditional repeal of the usury laws, on the ground of its encouraging projectors, satisfactorily answered by Mr. Bentham, in his letter to Dr. Smith, in his *Defence of Usury*. The reader may also consult the art. Interest, in the new edition of the *Encyclopædia Britannica*.

no more than a part of what they are likely to make by the use of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were most likely to make a profitable and advantageous use of it, and thrown into those which were most likely to waste and destroy it. Where the legal rate of interest, on the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred, as borrowers, to prodigals and projectors. The person who lends money gets nearly as much interest from the former as he dares to take from the latter, and his money is much safer in the hands of the one set of people than in those of the other. A great part of the capital of the country is thus thrown into the hands in which it is most likely to be employed with advantage.

No law can reduce the common rate of interest below the lowest ordinary market rate at the time when that law is made. Notwithstanding the edict of 1766, by which the French king attempted to reduce the rate of interest from five to four per cent., money continued to be lent in France at five per cent., the law being evaded in several different ways.

The ordinary market price of land, it is to be observed, depends every where upon the ordinary market rate of interest. The person who has a capital from which he wishes to derive a revenue, without taking the trouble to employ it himself, deliberates whether he should buy land with it, or lend it out at interest. The superior security of land, together with some other advantages which almost every where attend upon this species of property, will generally dispose him to content himself with a smaller revenue from land than what he might have by lending out his money at interest. These advantages are sufficient to compensate a certain difference of revenue; but they will compensate a certain difference only; and if the rent of land should fall short of the interest of money by a greater difference, nobody would buy land, which would soon reduce its ordinary price. On the contrary, if the advantages should much more than compensate the difference, every body would buy land, which again would soon raise its ordinary price. When interest was at ten per cent. land was commonly sold for ten or twelve years purchase. As interest sunk to six, five, and four per cent., the price of land rose to twenty, five-and-twenty, and thirty years' purchase. The market rate of interest is higher in France than in England, and the common price of land is lower. In England it commonly sells at thirty; in France at twenty years' purchase.

CHAP. V.

Of the different Employment of Capitals.

THOUGH all capitals are destined for the maintenance of productive labour only, yet the quantity of that labour which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment; as does likewise the value which that employment adds to the annual produce of the land and labour of the country.[1]

A capital may be employed in four dif-

[1] We have already (Introductory Discourse, §. 2.) noticed the fallacy of the principles advanced by Dr. Smith, with respect to the comparative advantage of employing capitals in different departments of industry. He has very clearly shown, in treating of the wages of labour, that those countries in which capital is increasing with the greatest rapidity, are, *cæteris paribus*, the most prosperous. They have a constantly increasing demand for labour; and the supply of necessaries and conveniencies falling to the share of the labourers, or to the great bulk of society, in such countries, is large compared with the supply that falls to their share in countries that are either stationary or declining. But it is from profits that capital is almost entirely formed; and it is one of the best established doctrines in the science, that the power of countries, in which property is about equally secure, and industry equally free, to amass capital, and, by consequence, to advance in the career of wealth and population, will be dependent upon, and pretty nearly proportioned to, the rates of profit in each. (See M'Culloch's Principles of Political Economy, p. 111. 2d ed.) It is this circumstance, or the different rates of profit in Holland, England, and the United States, that renders the increase of capital and population almost stationary in the first, moderately progressive in the second, and comparatively rapid in the last. A capital of a million employed in these different countries would probably yield 25,000*l.* nett profit in Holland, 50,000*l.* in England, and 80,000*l.* in the United States[1]; and as the owners of capital must in all cases live upon its profits, the means of accumulation in England would, under the circumstances supposed, be more than double what they are in Holland, and in the United States nearly double what they are in England.

It is plain, therefore, that the prosperity of a country is to be measured by the rate of profit which her capital yields, or (for it is the same thing) by her capacity of employing capital and labour with advantage, and not by the actual amount of her capital, or the number of her people. The capital of Holland is undoubtedly much larger, compared with her population, than that of the United States; though, as the latter is able to employ her capital with far greater advantage than the former, every one is ready to admit that she is also by far the more prosperous. "The progressive state" is justly characterised by Dr. Smith (p. 87.) as being "in reality the cheerful and hearty state to all the different orders of the society; the stationary is dull, the declining melancholy." But as this progressive state is mainly a consequence of a comparatively high rate of profit, he ought, in consistency, to have maintained the doctrine that the *rate of profit* realised in different employments is the best standard by which to judge of their advantageousness. This, in truth, is the only doctrine which harmonises with the fundamental principles of his system; for it shows that the freedom of industry is uniformly productive of the greatest public as well as private advantage. The interest of individuals will always prompt them to employ their capitals in those businesses which they believe will yield, all things considered, the largest nett profits; and, in doing so, it is clear they are employing them in the way most likely to increase their own fortunes, and consequently to

[1] These sums are not set down as being accurate, though probably they are not very wide of the mark, but to illustrate the principle.

ferent ways: either, first, in procuring the rude produce annually required for the use and consumption of the society; or, secondly, in manufacturing and preparing that rude produce for immediate use and consumption; or, thirdly, in transporting either the rude or manufactured produce from the places where they abound to those where they are wanted; or, lastly, in dividing particular portions of either into such small parcels as suit the occasional demands of those who want them. In the first way are employed the capitals of all those who undertake the improvement or cultivation of lands, mines, or fisheries; in the second, those of all master manufacturers; in the third, those of all wholesale merchants; and in the fourth, those of all retailers. It is difficult to conceive that a capital should be employed in any way which may not be classed under some one or other of those four.

Each of those four methods of employing a capital is essentially necessary either to the existence or extension of the other three, or to the general conveniency of the society.

Unless a capital was employed in furnishing rude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exist.

Unless a capital was employed in manufacturing that part of the rude produce which requires a good deal of preparation before it can be fit for use and consumption, it either would never be produced, because there could be no demand for it; or if it was produced spontaneously, it would be of no value in exchange, and could add nothing to the wealth of the society.

Unless a capital was employed in transporting either the rude or manufactured produce from the places where it abounds to those where it is wanted, no more of either could be produced than was necessary for the consumption of the neighbourhood. The capital of the merchant exchanges the surplus produce of one place for that of another, and thus encourages the industry and increases the enjoyments of both.

Unless a capital was employed in breaking and dividing certain portions either of the rude or manufactured produce into such small parcels as suit the occasional demands of those who want them, every man would be obliged to purchase a greater quantity of the goods he wanted than his immediate occasions required. If there was no such trade as a butcher, for example, every man would be obliged to purchase a whole ox or a whole sheep at a time. This would generally be inconvenient to the rich, and much more so to the poor. If a poor workman was obliged to purchase a month's or six month's provisions at a time, a great part of the stock which he employs as a capital in the instruments of his trade, or in the furniture of his shop, and which yields him a revenue, he would be forced to place in that part of his stock which is reserved for immediate consumption, and which yields him no revenue. Nothing can be more convenient for such a person than to be able to purchase his subsistence from day to day, or even from hour to hour, as he wants it. He is thereby enabled to employ almost his whole stock as a capital. He is thus enabled to furnish work to a greater value; and the profit which he makes by it in this way, much more than compensates the additional price which the profit of the retailer imposes upon the goods. The prejudices of some political writers against shopkeepers and tradesmen are altogether without foundation. So far is it from being necessary either to tax them or to restrict their numbers, that they can never be multiplied so as to hurt the public, though they may so as to hurt one another. The quantity of grocery goods, for example, which can be sold in a particular town, is limited by the demand of that town and its neighbourhood. The capital, therefore, which can be employed in the grocery trade, cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper than if it were in the hands of one only; and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together, in order to raise the price, just so much the less. Their competition, might, perhaps, ruin some of themselves; but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer or the producer: on the contrary, it must tend to make the retailers both sell cheaper and buy dearer than if the whole trade was monopolised by one or two persons. Some of them, perhaps, may sometimes decoy a weak customer to buy what he has no occasion for. This evil,

augment the capital of the country, to furnish subsistence to an increasing population, and to add to the comforts and enjoyments of society.

It should be recollected that profits and rent form the only sources from which any great amount of taxes can ever be derived; and were a government to attempt, by fettering the employment of capital, to force it into channels where it would yield a less amount of nett profit, they would not only check the increase of the national capital, but would gradually lessen the fund from which the public revenue must always be drawn, and depress the country in relation to other states. And thus it appears, looking at the question in every point of view, that there are no grounds whatever for supposing that the utmost freedom of industry should ever be a means of attracting capital to a comparatively disadvantageous employment. In this respect public and private interests are always in unison. If capital flow to foreign trade rather than to agriculture or the home trade, it is because it is believed it will yield larger profits to the individual, and consequently to the state.

however, is of too little importance to deserve the public attention, nor would it necessarily be prevented by restricting their numbers. It is not the multitude of alehouses, to give the most suspicious example, that occasions a general disposition to drunkenness among the common people; but that disposition, arising from other causes, necessarily gives employment to a multitude of alehouses.

The persons whose capitals are employed in any of those four ways, are themselves productive labourers. Their labour, when properly directed, fixes and realises itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption. The profits of the farmer, of the manufacturer, of the merchant and retailer, are all drawn from the price of the goods which the two first produce, and the two last buy and sell. Equal capitals, however, employed in each of those four different ways, will immediately put into motion very different quantities of productive labour, and augment, too, in very different proportions, the value of the annual produce of the land and labour of the society to which they belong.

The capital of the retailer replaces, together with its profits, that of the merchant of whom he purchases goods, and thereby enables him to continue his business. The retailer himself is the only productive labourer whom it immediately employs. In his profits consists the whole value which its employment adds to the annual produce of the land and labour of the society.

The capital of the wholesale merchant replaces, together with their profits, the capitals of the farmers and manufacturers of whom he purchases the rude and manufactured produce which he deals in, and thereby enables them to continue their respective trades. It is by this service chiefly that he contributes indirectly to support the productive labour of the society, and to increase the value of its annual produce. His capital employs, too, the sailors and carriers who transport his goods from one place to another, and it augments the price of those goods by the value, not only of his profits, but of their wages. This is all the productive labour which it immediately puts into motion, and all the value which it immediately adds to the annual produce. Its operation in both these respects is a good deal superior to that of the capital of the retailer.

Part of the capital of the master manufacturer is employed as a fixed capital in the instruments of his trade, and replaces, together with its profits, that of some other artificer of whom he purchases them. Part of his circulating capital is employed in purchasing materials, and replaces, with their profits, the capitals of the farmers and miners of whom he purchases them; but a great part of it is always, either annually, or in a much shorter period, distributed among the different workmen whom he employs. It augments the value of those materials by their wages, and by their master's profits upon the whole stock of wages, materials, and instruments of trade employed in the business. It puts immediately into motion, therefore, a much greater quantity of productive labour, and adds a much greater value to the annual produce of the land and labour of the society, than an equal capital in the hands of any wholesale merchant.

No equal capital puts into motion a greater quantity of productive labour than that of the farmer. Not only his labouring servants, but his labouring cattle, are productive labourers. In agriculture, too, nature labours along with man; and though her labour costs no expense, its produce has its value, as well as that of the most expensive workmen. The most important operations of agriculture seem intended, not so much to increase—though they do that too—as to direct the fertility of nature towards the production of the plants most profitable to man. A field overgrown with briers and brambles may frequently produce as great a quantity of vegetables as the best cultivated vineyard or corn field. Planting and tillage frequently regulate more than they animate the active fertility of nature; and after all their labour, a great part of the work always remains to be done by her. The labourers and labouring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner's profits, but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or, in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third, of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing — man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than

any equal capital employed in manufactures, but in proportion, too, to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society.[1]

The capitals employed in the agriculture and in the retail trade of any society, must always reside within that society. Their employment is confined almost to a precise spot, to the farm, and to the shop of the retailer. They must generally, too — though there are some exceptions to this — belong to resident members of the society.

The capital of a wholesale merchant, on the contrary, seems to have no fixed or necessary residence anywhere, but may wander about from place to place, according as it can either buy cheap or sell dear.

The capital of the manufacturer must, no doubt, reside where the manufacture is carried on; but where this shall be, is not always necessarily determined. It may frequently be at a great distance both from the place where the materials grow, and from that where the complete manufacture is consumed. Lyons is very distant both from the places which afford the materials of its manufactures, and from those which consume them. The people of fashion in Sicily are clothed in silks made in other countries from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and some part of that cloth is afterwards sent back to Spain.

Whether the merchant whose capital exports the surplus produce of any society be a native or a foreigner, is of very little importance. If he is a foreigner, the number of their productive labourers is necessarily less than if he had been a native, by one man only; and the value of their annual produce, by the profits of that one man. The sailors or carriers whom he employs may still belong indifferently either to his country, or to their country, or to some third country, in the same manner as if he had been a native. The capital of a foreigner gives a value to their surplus produce equally with that of a native, by exchanging it for something for which there is a demand at home. It as effectually replaces the capital of the person who produces that surplus, and as effectually enables him to continue his business; the service by which the capital of a wholesale merchant chiefly contributes to support the productive labour, and to augment the value of the annual produce of the society to which he belongs.

It is of more consequence that the capital of the manufacturer should reside within the country. It necessarily puts into motion a greater quantity of productive labour, and adds a greater value to the annual produce of the land and labour of the society. It may, however, be very useful to the country, though it should not reside within it. The capitals of the British manufacturers who work up the flax and hemp annually imported from the coasts of the Baltic, are surely very useful to the countries which produce them. Those materials are a part of the surplus produce of those countries,

[1] This is perhaps the most objectionable passage in the Wealth of Nations; and it is really astonishing so acute and sagacious a reasoner as Dr. Smith should have maintained a proposition so manifestly erroneous as that "*nature does nothing for man in manufactures.*" The powers of water and of wind, which move our machinery, support our ships, and impel them over the deep — the pressure of the atmosphere and the elasticity of steam, which enable us to work the most stupendous engines — are they not the spontaneous gifts of nature? The single advantage of machinery consists, in fact, in its enabling us to press the powers of nature into our service, and to make them perform a large part of what must otherwise have been wholly the work of man. In bleaching and fermentation, the whole processes are carried on by natural agents; and it is to the influence of heat in softening and melting metals, and warming houses, that we owe many of our most powerful and convenient instruments, and that these northern climates have been made to afford a comfortable habitation.

Owing to the advances that are almost constantly being made in the arts, it is abundantly certain that whatever amount of capital may be required at present to construct a steam-engine, or to build a ship, a less amount of capital will, at a future period, suffice for the same purpose; and how much soever these machines and ships may be multiplied, the last will be as efficient in saving labour and producing wealth as the first. But such is not the case with the capital employed upon the soil. Lands of the first quality are speedily exhausted; and it is in practice found to be impossible, notwithstanding the frequent discoveries and inventions made in the business of agriculture, to go on applying capital indefinitely even to the best lands, without in the end obtaining a diminished return. Now it is this diminishing productiveness of the capital employed in cultivation that is the source of rent. No rent is ever paid when the best lands only are under tillage; but when the increase of population forces recourse to those of inferior fertility, the price of raw produce necessarily rises proportionally to the increased cost of its production on them: and, as there cannot be two rates of profit, or two prices for the same article at the same time, and in the same market, the excess of produce obtained from the best lands under cultivation over that which is obtained from the worst, or its value, goes to the landlord as rent. Instead, therefore, of its being true that rent is the result of the superior productiveness of the capital employed upon the land, as compared with that employed in manufactures and commerce, it is really the result of its inferior productiveness.

"It is singular," says Mr. Ricardo, "that this quality of the land, which should have been noticed as an imperfection, compared with the natural agents by which manufactures are assisted, should have been pointed out as constituting its peculiar pre-eminence. If air, water, the elasticity of steam, and the pressure of the atmosphere, were of various qualities; if they could be appropriated, and each quality existed only in moderate abundance, they as well as the land would afford a rent, as the successive qualities were brought into use. With every worse quality employed, the value of the commodities in the manufacture of which they were used would rise, because equal quantities of labour would be less productive. Man would do more by the sweat of his brow, and nature perform less; and the land would be no longer pre-eminent for its limited powers."—p. 63. 1st ed.

See further, note on Rent, at the end.

which, unless it was annually exchanged for something which is in demand there, would be of no value, and would soon cease to be produced. The merchants who export it, replace the capitals of the people who produce it, and thereby encourage them to continue the production; and the British manufacturers replace the capitals of those merchants.

A particular country, in the same manner as a particular person, may frequently not have capital sufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate use and consumption, and to transport the surplus part either of the rude or manufactured produce to those distant markets where it can be exchanged for something for which there is a demand at home. The inhabitants of many different parts of Great Britain have not capital sufficient to improve and cultivate all their lands. The wool of the southern counties of Scotland is, a great part of it, after a long land carriage through very bad roads, manufactured in Yorkshire, for want of a capital to manufacture it at home. There are many little manufacturing towns in Great Britain, of which the inhabitants have not capital sufficient to transport the produce of their own industry to those distant markets where there is demand and consumption for it. If there are any merchants among them, they are, properly, only the agents of wealthier merchants who reside in some of the greater commercial cities.

When the capital of any country is not sufficient for all those three purposes, in proportion as a greater share of it is employed in agriculture, the greater will be the quantity of productive labour which it puts into motion within the country; as will likewise be the value which its employment adds to the annual produce of the land and labour of the society. After agriculture, the capital employed in manufactures puts into motion the greatest quantity of productive labour, and adds the greatest value to the annual produce. That which is employed in the trade of exportation has the least effect of any of the three.

The country, indeed, which has not capital sufficient for all those three purposes, has not arrived at that degree of opulence for which it seems naturally destined. To attempt, however, prematurely and with an insufficient capital to do all the three, is certainly not the shortest way for a society, no more than it would be for an individual, to acquire a sufficient one. The capital of all the individuals of a nation has its limits, in the same manner as that of a single individual, and is capable of executing only certain purposes. The capital of all the individuals of a nation is increased in the same manner as that of a single individual, by their continually accumulating and adding to it whatever they save out of their revenue. It is likely to increase the fastest, therefore, when it is employed in the way that affords the greatest revenue to all the inhabitants of the country, as they will thus be enabled to make the greatest savings. But the revenue of all the inhabitants of the country is necessarily in proportion to the value of the annual produce of their land and labour.

It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures, those household and coarser manufactures excepted which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coasting trade of America is carried on by the capitals of merchants who reside in Great Britain. Even the stores and warehouses from which goods are retailed in some provinces, particularly in Virginia and Maryland, belong many of them to merchants who reside in the mother country, and afford one of the few instances of the retail trade of a society being carried on by the capitals of those who are not resident members of it. Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard, instead of accelerating, the further increase in the value of their annual produce, and would obstruct, instead of promoting, the progress of their country towards real wealth and greatness. This would be still more the case, were they to attempt, in the same manner, to monopolise to themselves their whole exportation trade.

The course of human prosperity, indeed, seems scarce ever to have been of so long continuance as to enable any great country to acquire capital sufficient for all those three purposes; unless, perhaps, we give credit to the wonderful accounts of the wealth and cultivation of China, of those of ancient Egypt, and of the ancient state of Indostan. Even those three countries, the wealthiest, according to all accounts, that ever were in the world, are chiefly renowned for their superiority in agriculture and manufactures. They do not appear to have been eminent for foreign trade. The ancient Egyptains had a superstitious antipathy to the sea: a superstition nearly of the same kind prevails among the Indians; and the

Chinese have never excelled in foreign commerce. The greater part of the surplus produce of all those three countries seems to have been always exported by foreigners, who gave in exchange for it something else for which they found a demand there, frequently gold and silver.

It is thus that the same capital will in any country put into motion a greater or smaller quantity of productive labour, and add a greater or smaller value to the annual produce of its land and labour, according to the different proportions in which it is employed in agriculture, manufactures, and wholesale trade. The difference, too, is very great, according to the different sorts of wholesale trade in which any part of it is employed.

All wholesale trade, all buying in order to sell again by wholesale, may be reduced to three different sorts: the home trade, the foreign trade of consumption, and the carrying trade. The home trade is employed in purchasing in one part of the same country, and selling in another, the produce of the industry of that country. It comprehends both the inland and the coasting trade. The foreign trade of consumption is employed in purchasing foreign goods for home consumption. The carrying trade is employed in transacting the commerce of foreign countries, or in carrying the surplus produce of one to another.

The capital which is employed in purchasing in one part of the country, in order to sell in another the produce of the industry of that country, generally replaces, by every such operation, two distinct capitals, that had both been employed in the agriculture or manufactures of that country, and thereby enables them to continue that employment. When it sends out from the residence of the merchant a certain value of commodities, it generally brings back in return at least an equal value of other commodities. When both are the produce of domestic industry, it necessarily replaces, by every such operation, two distinct capitals, which had both been employed in supporting productive labour, and thereby enables them to continue that support. The capital which sends Scotch manufactures to London, and brings back English corn and manufactures to Edinburgh, necessarily replaces, by every such operation, two British capitals, which had both been employed in the agriculture or manufactures of Great Britain.

The capital employed in purchasing foreign goods for home consumption, when this purchase is made with the produce of domestic industry, replaces too, by every such operation, two distinct capitals; but one of them only is employed in supporting domestic industry. The capital which sends British goods to Portugal, and brings back Portuguese goods to Great Britain, replaces, by every such operation, only one British capital. The other is a Portuguese one. Though the returns, therefore, of the foreign trade of consumption should be as quick as those of the home trade, the capital employed in it will give but one half of the encouragement to the industry or productive labour of the country.[1]

But the returns of the foreign trade of consumption are very seldom so quick as those of the home trade. The returns of the home trade generally come in before the end of the year, and sometimes three or four times in the year. The returns of the foreign trade of consumption seldom come in before the end of the year, and sometimes not till after two or three years. A capital, therefore, employed in the home trade, will sometimes make twelve operations, or be sent out and returned twelve times, before a capital employed in the foreign trade of consumption has made one. If the capitals are equal, therefore, the one will give four-and-twenty times more encouragement and support to the industry of the country than the other.[2]

The foreign goods for home consumption

[1] Dr. Smith does not say that the importation of foreign commodities has any tendency to force capital abroad; and, unless it did this, it is plain that his statement with respect to the effect of changing a home for a foreign trade of consumption, is quite inconsistent with the fundamental principle he has elsewhere established, that industry is always in proportion to the amount of capital. Suppose, for the sake of illustration, that the case put by Dr. Smith actually occurs — that the Scotch manufactures are sent to Portugal; it is obvious, if the same demand continue in London for these manufactures as before they began to be sent abroad, that additional capital and labourers will be required to furnish commodities for both the London and Portuguese markets. In this case, therefore, instead of the industry of the country sustaining any diminution from the export of Scotch manufactures to a foreign country, it would evidently be augmented, and a new field would be discovered for the profitable employment of stock. But if, when the Scotch merchants begin to export manufactures to Portugal, the London merchants also find out a foreign market where they may be supplied at a cheaper rate with the goods they previously imported from Scotland, all intercourse between Scotland and London will immediately cease, and the home trade of consumption will be changed for a foreign trade of consumption. It is obvious, however, that this change would not occasion any embarrassment, or be a means of throwing a single individual out of employment. On the contrary, it is plain that a fresh stimulus would be given to the manufactures both of Scotland and the metropolis, inasmuch as nothing but their being able to dispose of their produce to greater advantage, would have made the merchants change the home for a foreign market. The fact is, that when a home trade is changed for a foreign trade, an additional capital belonging to the nation with which it is carried on enters into it; but there is no diminution whatever of the capital or industry of the nation which has made the change; both the one and the other being employed under more advantageous circumstances, and with greater effect. See Ricardo's *Principles of Political Economy and Taxation*, 3d ed. p. 419.

[2] This is altogether erroneous. If the returns to the capital employed in the foreign trade of consumption be at longer distances than the returns to the capital employed in the home trade, they will

may sometimes be purchased, not with the produce of domestic industry, but with some other foreign goods. These last, however, must have been purchased either immediately with the produce of domestic industry, or with something else that had been purchased with it; for, the case of war and conquest excepted, foreign goods can never be acquired but in exchange for something that had been produced at home, either immediately or after two or more different exchanges. The effects, therefore, of a capital employed in such a roundabout foreign trade of consumption, are, in every respect, the same as those of one employed in the most direct trade of the same kind, except that the final returns are likely to be still more distant, as they must depend upon the returns of two or three distinct foreign trades. If the flax and hemp of Riga are purchased with the tobacco of Virginia, which had been purchased with British manufactures, the merchant must wait for the returns of two distinct foreign trades, before he can employ the same capital in repurchasing a like quantity of British manufactures. If the tobacco of Virginia had been purchased, not with British manufactures, but with the sugar and rum of Jamaica which had been purchased with those manufactures, he must wait for the returns of three. If those two or three distinct foreign trades should happen to be carried on by two or three distinct merchants, of whom the second buys the goods imported by the first, and the third buys those imported by the second, in order to export them again, each merchant indeed will, in this case, receive the returns of his own capital more quickly; but the final returns of the whole capital employed in the trade will be just as slow as ever. Whether the whole capital employed in such a roundabout trade belong to one merchant or to three, can make no difference with regard to the country, though it may with regard to the particular merchants. Three times a greater capital must in both cases be employed, in order to exchange a certain value of British manufactures for a certain quantity of flax and hemp, than would have been necessary, had the manufactures and the flax and hemp been directly exchanged for one another. The whole capital employed, therefore, in such a roundabout foreign trade of consumption, will generally give less encouragement and support to the productive labour of the country, than an equal capital employed in a more direct trade of the same kind.

Whatever be the foreign commodity with which the foreign goods for home consumption are purchased, it can occasion no essential difference, either in the nature of the trade, or in the encouragement and support which it can give to the productive labour of the country from which it is carried on. If they are purchased with the gold of Brazil, for example, or with the silver of Peru, this gold and silver, like the tobacco of Virginia, must have been purchased with something that either was the produce of the industry of the country, or that had been purchased with something else that was so. So far, therefore, as the productive labour of the country is concerned, the foreign trade of consumption which is carried on by means of gold and silver, has all the advantages and all the inconveniencies of any other equally roundabout foreign trade of consumption; and will replace just as fast or just as slow, the capital which is immediately employed in supporting that productive labour. It seems even to have one advantage over any other equally roundabout foreign trade. The transportation of those metals from one place to another, on account of their small bulk and great value, is less expensive than that of almost any other foreign goods of equal value. Their freight is much less, and their insurance not greater; and no goods, besides, are less liable to suffer by the carriage. An equal quantity of foreign goods, therefore, may frequently be purchased with a smaller quantity of the produce of domestic industry, by the intervention of gold and silver, than by that of any other foreign goods. The demand of the country may frequently, in this manner, be supplied more completely and at a smaller expense than in any other. Whether, by the continual exportation of those metals, a trade of this kind, is likely to impoverish the country from which it is carried on, in any other way, I shall have occasion to examine at great length hereafter.

That part of the capital of any country which is employed in the carrying trade, is altogether withdrawn from supporting the productive labour of that particular country, to support that of some foreign countries. Though it may replace, by every operation, two distinct capitals, yet neither of them belongs to that particular country. The capital of the Dutch merchant, which carries the corn of Poland to Portugal, and brings back the fruits and wines of Portugal to Poland, replaces by every such operation two capitals, neither of which had been employed in supporting the productive labour of Holland; but one of them in supporting that of Poland, and the other that of Portugal. The profits only return regularly to Holland, and constitute the whole addition which this trade necessarily makes to the annual pro-

when made, be proportionally larger. Dr. Smith has shown that, upon an average, all capitals, in whatever way they may be employed, yield the same nett profit; and, so long as they do this, they must, how much soever they may differ in many respects, be equally advantageous. See note, p. 169.

duce of the land and labour of that country.[1] When, indeed, the carrying trade of any particular country is carried on with the ships and sailors of that country, that part of the capital employed in it which pays the freight is distributed among, and puts into motion, a certain number of productive labourers of that country. Almost all nations that have had any considerable share of the carrying trade have, in fact, carried it on in this manner. The trade itself has probably derived its name from it, the people of such countries being the carriers to other countries. It does not, however, seem essential to the nature of the trade that it should be so. A Dutch merchant may, for example, employ his capital in transacting the commerce of Poland and Portugal, by carrying part of the surplus produce of the one to the other, not in Dutch, but in British bottoms. It may be presumed, that he actually does so upon some particular occasions. It is upon this account, however, that the carrying trade has been supposed peculiarly advantageous to such a country as Great Britain, of which the defence and security depend upon the number of its sailors and shipping. But the same capital may employ as many sailors and shipping, either in the foreign trade of consumption, or even in the home trade, when carried on by coasting vessels, as it could in the carrying trade. The number of sailors and shipping which any particular capital can employ, does not depend upon the nature of the trade, but partly upon the bulk of the goods in proportion to their value, and partly upon the distance of the ports between which they are to be carried; chiefly upon the former of those two circumstances. The coal trade from Newcastle to London, for example, employs more shipping than all the carrying trade of England, though the ports are at no great distance. To force, therefore, by extraordinary encouragements, a larger share of the capital of any country into the carrying trade than what would naturally go to it, will not always necessarily increase the shipping of that country.

The capital, therefore, employed in the home trade of any country will generally give encouragement and support to a greater quantity of productive labour in that country, and increase the value of its annual produce more than an equal capital employed in the foreign trade of consumption: and the capital employed in this latter trade has, in both these respects, a still greater advantage over an equal capital employed in the carrying trade. The riches, and, so far as power depends upon riches, the power of every country must always be in proportion to the value of its annual produce, the fund from which all taxes must ultimately be paid. But the great object of the political economy of every country, is to increase the riches and power of that country. It ought, therefore, to give no preference nor superior encouragement to the foreign trade of consumption above the home trade, nor to the carrying trade above either of the other two. It ought neither to force nor to allure into either of those two channels a greater share of the capital of the country, than what would naturally flow into them of its own accord.

Each of those different branches of trade, however, is not only advantageous, but necessary and unavoidable, when the course of things, without any constraint or violence, naturally introduces it.

When the produce of any particular branch of industry exceeds what the demand of the country requires, the surplus must be sent abroad, and exchanged for something for which there is a demand at home. Without such exportation, a part of the productive labour of the country must cease, and the value of its annual produce diminish. The land and labour of Great Britain produce generally more corn, woollens, and hardware, than the demand of the home market requires. The surplus part of them, therefore, must be sent abroad, and exchanged for something for which there is a demand at home. It is only by means of such exportation, that this surplus can acquire a value sufficient to compensate the labour and expense of producing it. The neighbourhood of the sea-coast, and the banks of all navigable rivers, are advantageous situations for industry, only because they facilitate the exportation and exchange of such surplus produce for something else which is more in demand there.

When the foreign goods which are thus purchased with the surplus produce of domestic industry exceed the demand of the home market, the surplus part of them must be sent abroad again, and exchanged for something more in demand at home. About ninety-six thousand hogsheads of tobacco are annually purchased in Virginia and Maryland with a part of the surplus produce of British industry. But the demand of Great Britain does not require, perhaps, more than fourteen thousand. If the remaining eighty-two thousand, therefore, could not be sent abroad, and exchanged for something more in demand at home, the importation of them must cease immediately, and with it the productive labour of all those inhabitants of Great Britain who are at present employed

[1] But the fact of capital being employed in the carrying trade, shows that the nett profits it yields are quite as great as any that could be obtained by employing it in agriculture or the home trade; and it is, as already observed, by the amount of such nett profits, that the real advantage of the employment is to be estimated.

in preparing the goods with which these eighty-two thousand hogsheads are annually purchased. Those goods, which are part of the produce of the land and labour of Great Britain, having no market at home, and being deprived of that which they had abroad, must cease to be produced. The most roundabout foreign trade of consumption, therefore, may, upon some occasions, be as necessary for supporting the productive labour of the country, and the value of its annual produce, as the most direct.

When the capital stock of any country is increased to such a degree that it cannot be all employed in supplying the consumption, and supporting the productive labour of that particular country, the surplus part of it naturally disgorges itself into the carrying trade and is employed in performing the same offices to other countries. The carrying trade, is the natural effect and symptom of great national wealth; but it does not seem to be the natural cause of it. Those statesmen who have been disposed to favour it with particular encouragements, seem to have mistaken the effect and symptom for the cause. Holland, in proportion to the extent of the land and the number of its inhabitants by far the richest country in Europe, has accordingly the greatest share of the carrying trade of Europe. England, perhaps the second richest country of Europe, is likewise supposed to have a considerable share in it; though what commonly passes for the carrying trade of England will frequently, perhaps, be found to be no more than a roundabout foreign trade of consumption. Such are, in a great measure, the trades which carry the goods of the East and West Indies and of America to different European markets. Those goods are generally purchased either immediately with the produce of British industry, or with something else which had been purchased with that produce, and the final returns of those trades are generally used or consumed in Great Britain. The trade which is carried on in British bottoms between the different ports of the Mediterranean, and some trade of the same kind carried on by British merchants between the different ports of India, make, perhaps, the principal branches of what is properly the carrying trade of Great Britain.

The extent of the home trade, and of the capital which can be employed in it, is necessarily limited by the value of the surplus produce of all those distant places within the country which have occasion to exchange their respective productions with one another: that of the foreign trade of consumption, by the value of the surplus produce of the whole country, and of what can be purchased with it; that of the carrying trade, by the value of the surplus produce of all the different countries in the world. Its possible extent, therefore, is in a manner infinite in comparison of that of the other two, and is capable of absorbing the greatest capitals.

The consideration of his own private profit is the sole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in some particular branch of the wholesale or retail trade. The different quantities of productive labour which it may put into motion, and the different values which it may add to the annual produce of the land and labour of the society, according as it is employed in one or other of those different ways, never enter into his thoughts. In countries, therefore, where agriculture is the most profitable of all employments, and farming and improving the most direct roads to a splendid fortune, the capitals of individuals will naturally be employed in the manner most advantageous to the whole society. The profits of agriculture, however, seem to have no superiority over those of other employments in any part of Europe. Projectors, indeed, in every corner of it, have, within these few years, amused the public with most magnificent accounts of the profits to be made by the cultivation and improvement of land. Without entering into any particular discussion of their calculations, a very simple observation may satisfy us that the result of them must be false. We see, every day, the most splendid fortunes that have been acquired in the course of a single life by trade and manufactures, frequently from a very small capital, sometimes from no capital. A single instance of such a fortune acquired by agriculture in the same time, and from such a capital, has not, perhaps, occurred in Europe during the course of the present century. In all the great countries of Europe, however, much good land still remains uncultivated; and the greater part of what is cultivated is far from being improved to the degree of which it is capable. Agriculture, therefore, is almost everywhere capable of absorbing a much greater capital than has ever yet been employed in it. What circumstances in the policy of Europe have given the trades which are carried on in towns so great an advantage over that which is carried on in the country that private persons frequently find it more for their advantage to employ their capitals in the most distant carrying trades of Asia and America, than in the improvement and cultivation of the most fertile fields in their own neighbourhood, I shall endeavour to explain at full length in the two following books.

BOOK III.

OF THE DIFFERENT PROGRESS OF OPULENCE IN DIFFERENT NATIONS.

CHAP. I.

Of the natural Progress of Opulence.

The great commerce of every civilised society is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this as in all other cases advantageous to all the different persons employed in the various occupations into which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods with the produce of a much smaller quantity of their own labour than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators; and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country; and the more extensive that market, it is always the more advantageous to a great number. The corn which grows within a mile of the town, sells there for the same price with that which comes from twenty miles distance. But the price of the latter must, generally, not only pay the expense of raising it and bringing it to market, but afford, too, the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts; and they save besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town with that of those which lie at some distance from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town. Among all the absurd speculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it.

As subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must necessarily be prior to the increase of the town, which furnishes only the means of conveniency and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can, therefore, increase only with the increase of this surplus produce. The town, indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries; and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.

That order of things which necessity imposes in general, though not in every particular country, is in every particular country promoted by the natural inclinations of man. If human institutions had never thwarted those natural inclinations, the towns could nowhere have increased beyond what the improvement and cultivation of the territory in which they were situated could support; till such time, at least, as the whole of that territory was completely cultivated and improved. Upon equal, or nearly equal, profits, most men will choose to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land has it more under his view and command, and his fortune is much less liable to accidents than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of human folly and injustice, by giving great credits, in distant countries, to men with whose character and situation he can seldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be

as well secured as the nature of human affairs can admit of. The beauty of the country, besides the pleasures of a country life, the tranquillity of mind which it promises, and, wherever the injustice of human laws does not disturb it, the independency which it really affords, have charms that more or less attract every body; and as to cultivate the ground was the original destination of man, so in every stage of his existence he seems to retain a predilection for this primitive employment.

Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on but with great inconveniency and continual interruption. Smiths, carpenters, wheelwrights and ploughwrights, masons and bricklayers, tanners, shoemakers, and tailors, are people whose service the farmer has frequent occasion for. Such artificers, too, stand occasionally in need of the assistance of one another; and as their residence is not, like that of the farmer, necessarily tied down to a precise spot, they naturally settle in the neighbourhood of one another, and thus form a small town or village. The butcher, the brewer, and the baker soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town, and those of the country, are mutually the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort, in order to exchange their rude for manufactured produce. It is this commerce which supplies the inhabitants of the town both with the materials of their work and the means of their subsistence. The quantity of the finished work which they sell to the inhabitants of the country necessarily regulates the quantity of the materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work; and this demand can augment only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not in North America attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter; and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways which may easily be conceived, and which it is therefore unnecessary to explain any further.

In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad, in order to be exchanged for something for which there is some demand at home. But whether the capital which carries this surplus produce abroad be a foreign or a domestic one, is of very little importance. If the society has not acquired sufficient capital, both to cultivate all its lands, and to manufacture in the completest manner the whole of its rude produce, there is even a considerable advantage that that rude produce should be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. The wealth of ancient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners. The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged

to themselves been employed in exporting their surplus produce.

According to the natural course of things, therefore, the greater part of the capital of every growing society is first directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns before they could well think of employing themselves in foreign commerce.

But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been in many respects entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale; and manufactures and foreign commerce together have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.

CHAP. II.

Of the Discouragement of Agriculture in the ancient State of Europe, after the Fall of the Roman Empire.

When the German and Scythian nations overran the western provinces of the Roman empire, the confusions which followed so great a revolution lasted for several centuries. The rapine and violence which the barbarians exercised against the ancient inhabitants, interrupted the commerce between the towns and the country. The towns were deserted, and the country was left uncultivated; and the western provinces of Europe, which had enjoyed a considerable degree of opulence under the Roman empire, sunk into the lowest state of poverty and barbarism. During the continuance of those confusions, the chiefs and principal leaders of those nations acquired or usurped to themselves the greater part of the lands of those countries. A great part of them was uncultivated; but no part of them, whether cultivated or uncultivated, was left without a proprietor. All of them were engrossed, and the greater part by a few great proprietors.

This original engrossing of uncultivated lands, though a great, might have been but a transitory evil. They might soon have been divided again, and broke into small parcels, either by succession or by alienation. The law of primogeniture hindered them from being divided by succession: the introduction of entails prevented their being broke into small parcels by alienation.

When land, like moveables, is considered as the means only of subsistence and enjoyment, the natural law of succession divides it, like them, among all the children of the family; of all of whom the subsistence and enjoyment may be supposed equally dear to the father. This natural law of succession, accordingly, took place among the Romans, who made no more distinction between elder and younger, between male and female, in the inheritance of lands, than we do in the distribution of moveables. But when land was considered as the means, not of subsistence merely, but of power and protection, it was thought better that it should descend undivided to one. In those disorderly times, every great landlord was a sort of petty prince. His tenants were his subjects. He was their judge, and in some respects their legislator in peace and their leader in war. He made war according to his own discretion, frequently against his neighbours, and sometimes against his sovereign. The security of a landed estate, therefore, the protection which its owner could afford to those who dwelt on it, depended upon its greatness. To divide it was to ruin it, and to expose every part of it to be oppressed and swallowed up by the incursions of its neighbours. The law of primogeniture, therefore, came to take place, not immediately indeed, but in process of time, in the succession of landed estates, for the same reason that it has generally taken place in that of monarchies, though not always at their first institution. That the power, and consequently the security of the monarchy, may not be weakened by division, it must descend entire to one of the children. To which of them so important a preference shall be given, must be determined by some general rule, founded not upon the doubtful distinctions of personal merit, but upon some plain and evident difference which can admit of no dispute. Among the children of the same family there can be no indisputable difference but that of sex, and that of age. The male sex is universally preferred to the female; and when all other things are equal, the elder every where takes place of the younger. Hence the origin of the right of primogeniture, and of what is called lineal succession.

Laws frequently continue in force long after the circumstances which first gave occasion to them, and which could alone render them reasonable, are no more. In the present state of Europe, the proprietor of a single acre of land is as perfectly secure in his possession as the proprietor of a hundred

thousand. The right of primogeniture, however, still continues to be respected; and as of all institutions it is the fittest to support the pride of family distinctions, it is still likely to endure for many centuries. In every other respect, nothing can be more contrary to the real interest of a numerous family, than a right which, in order to enrich one, beggars all the rest of the children.

Entails are the natural consequences of the law of primogeniture. They were introduced to preserve a certain lineal succession, of which the law of primogeniture first gave the idea, and to hinder any part of the original estate from being carried out of the proposed line, either by gift or devise, or alienation; either by the folly or by the misfortune of any of its successive owners. They were altogether unknown to the Romans. Neither their substitutions nor fideicommisses bear any resemblance to entails, though some French lawyers have thought proper to dress the modern institution in the language and garb of those ancient ones.

When great landed estates were a sort of principalities, entails might not be unreasonable. Like what are called the fundamental laws of some monarchies, they might frequently hinder the security of thousands from being endangered by the caprice or extravagance of one man. But in the present state of Europe, when small as well as great estates derive their security from the laws of their country, nothing can be more completely absurd. They are founded upon the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth, and to all that it possesses; but that the property of the present generation should be restrained and regulated according to the fancy of those who died, perhaps, five hundred years ago. Entails, however, are still respected through the greater part of Europe, in those countries particularly in which noble birth is a necessary qualification for the enjoyment either of civil or military honours. Entails are thought necessary for maintaining this exclusive privilege of the nobility to the great officers and honours of their country; and that order having usurped one unjust advantage over the rest of their fellow-citizens, lest their poverty should render it ridiculous, it is thought reasonable that they should have another. The common law of England, indeed, is said to abhor perpetuities, and they are accordingly more restricted there than in any other European monarchy; though even England is not altogether without them. In Scotland, more than one fifth, perhaps more than one third, part of the whole lands of the country, are at present supposed to be under strict entail.[1]

Great tracts of uncultivated land were in this manner not only engrossed by particular families, but the possibility of their being divided again was as much as possible precluded for ever. It seldom happens, however, that a great proprietor is a great improver. In the disorderly times which gave birth to those barbarous institutions, the great proprietor was sufficiently employed in defending his own territories, or in extending his jurisdiction and authority over those of his neighbours. He had no leisure to attend to the cultivation and improvement of land. When the establishment of law and order afforded him this leisure, he often wanted the inclination, and almost always the requisite abilities. If the expense of his house and person either equalled or exceeded his revenue, as it did very frequently, he had no stock to employ in this manner. If he was an economist, he generally found it more profitable to employ his annual savings in new purchases than in the improvement of his old estate. To improve land with profit, like all other commercial projects, requires an exact attention to small savings and small gains, of which a man born to a great fortune, even though naturally frugal, is very seldom capable. The situation of such a person naturally disposes him to attend rather to ornament, which pleases his fancy, than to profit, for which he has so little occasion. The elegance of his dress, of his equipage, of his house and household furniture, are objects which, from his infancy, he has been accustomed to have some anxiety about The turn of mind which this habit naturally forms, follows him when he comes to think of the improvement of land. He embellishes, perhaps, four or five hundred acres in the neighbourhood of his house, at ten times the expense which the land is worth after all his improvements; and finds that if he was to improve his whole estate in the same manner, and he has little taste for any other, he would be a bankrupt before he had finished the tenth part of it. There still remain, in both parts of the United Kingdom, some great estates which have continued, without interruption, in the hands of the same family since the times of feudal anarchy. Compare the present condition of those estates with the possessions of the small proprietors in their neighbourhood, and you will require no other argument to convince you how unfavourable such extensive property is to improvement.

If little improvement was to be expected

[1] We have stated at length, in a supplemental note on the Disposal of Property by Will, and the Policy of Entails, our reasons for venturing to dissent from the opinion of Dr. Smith as to the custom of primogeniture, or the custom of leaving the whole or the greater portion of the landed property belonging to a family to the eldest son. We have there also entered pretty fully into the questions with respect to entails, and the system of equal division

from such great proprietors, still less was to be hoped for from those who occupied the land under them. In the ancient state of Europe, the occupiers of land were all tenants at will. They were all, or almost all, slaves; but their slavery was of a milder kind than that known among the ancient Greeks and Romans, or even in our West Indian colonies. They were supposed to belong more directly to the land than to their master. They could, therefore, be sold with it, but not separately. They could marry, provided it was with the consent of their master; and he could not afterwards dissolve the marriage by selling the man and wife to different persons. If he maimed or murdered any of them, he was liable to some penalty, though generally but to a small one. They were not, however, capable of acquiring property. Whatever they acquired was acquired to their master, and he could take it from them at pleasure. Whatever cultivation and improvement could be carried on by means of such slaves, was properly carried on by their master. It was at his expense. The seed, the cattle, and the instruments of husbandry, were all his. It was for his benefit. Such slaves could acquire nothing but their daily maintenance. It was properly the proprietor himself, therefore, that in this case occupied his own lands, and cultivated them by his own bondmen. This species of slavery still subsists in Russia, Poland, Hungary, Bohemia, Moravia, and other parts of Germany. It is only in the western and south-western provinces of Europe, that it has gradually been abolished altogether.[1]

But if great improvements are seldom to be expected from great proprietors, they are least of all to be expected when they employ slaves for their workmen. The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much and to labour as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance, can be squeezed out of him by violence only, and not by any interest of his own. In ancient Italy, how much the cultivation of corn degenerated, how unprofitable it became to the master when it fell under the management of slaves, is remarked by both Pliny and Columella. In the time of Aristotle it had not been much better in ancient Greece. Speaking of the ideal republic described in the laws of Plato, to maintain five thousand idle men (the number of warriors supposed necessary for its defence) together with their women and servants, would require, he says, a territory of boundless extent and fertility, like the plains of Babylon.

The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors. Wherever the law allows it, and the nature of the work can afford it, therefore, he will generally prefer the service of slaves to that of freemen. The planting of sugar and tobacco can afford the expense of slave cultivation. The raising of corn, it seems, in the present times cannot. In the English colonies, of which the principal produce is corn, the far greater part of the work is done by freemen. The late resolution of the Quakers in Pennsylvania, to set at liberty all their negro slaves, may satisfy us that their number cannot be very great. Had they made any considerable part of their property, such a resolution could never have been agreed to. In our sugar colonies, on the contrary, the whole work is done by slaves, and in our tobacco colonies a very great part of it. The profits of a sugar plantation in any of our West Indian colonies are generally much greater than those of any other cultivation that is known either in Europe or America[2]: and the profits of a

[1] The best account ever published of the influence of slavery over national wealth and civilisation, and the various modifications it has undergone, will be found in the third volume of the *Cours d'Economie Politique* of M. Storch, Paris, 1823.

The species of slavery, alluded to in the text, was not altogether extinct in Scotland when the Wealth of Nations was published. Colliers, coalbearers, salters, and all individuals employed in collieries and saltworks were placed, by the old law of Scotland, enforced by several comparatively modern statutes, in the exact condition of the *adscripti glebæ* of the middle ages. They were bound to perpetual service at the works to which they belonged; upon a sale of the works the new proprietor acquired a right to their service; all persons were prohibited from receiving them into their employment, without the express consent of their last master; and, in the event of their deserting to another work, and being claimed within twelve months, their employers were obliged to restore them within twenty-four hours, under a high penalty! Such was the state of the Scotch colliers, &c. so late as 1775; but in that year an act was passed (15 Geo. III. cap. 28.) for the abolition of this species of servitude, and declaring that no individual should henceforth be bound to a colliery or saltwork, otherwise than as a common servant or labourer. But this act did not effect the object in view: for by clogging the emancipation of the colliers, &c. with a variety of burdensome conditions, it rendered the greater number unable to avail themselves of its enactments in their favour; and those that were emancipated, having become indebted to their masters for sums which they could not pay, were obliged to enter into engagements to continue their service on the old footing. This state of things necessarily gave rise to alarming combinations among the colliers, and to endless disputes between them and their masters. At length, in 1799, the colliers were completely emancipated, by being placed at once and without any condition, on the same footing as other labourers with respect to their personal freedom and independence. The statute by which this act of tardy justice was effected (39 Geo. III. cap. 56.) in order to prevent its object from being defeated, took from the masters all title to pursue the colliers for sums of money advanced to them in loan, unless they had been advanced for the support of the collier or his family during sickness.

[2] See note, *ante*, p. 72.

tobacco plantation, though inferior to those of sugar, are superior to those of corn, as has already been observed. Both can afford the expense of slave cultivation, but sugar can afford it still better than tobacco. The number of negroes accordingly is much greater, in proportion to that of whites, in our sugar than in our tobacco colonies.

To the slave cultivators of ancient times, gradually succeeded a species of farmers known at present in France by the name of Metayers. They are called in Latin, *Coloni Partiarii*. They have been so long in disuse in England that at present I know no English name for them. The proprietor furnished them with the seed, cattle, and instruments of husbandry, the whole stock, in short, necessary for cultivating the farm. The produce was divided equally between the proprietor and the farmer, after setting aside what was judged necessary for keeping up the stock, which was restored to the proprietor when the farmer either quitted or was turned out of the farm.

Land occupied by such tenants is properly cultivated at the expense of the proprietors, as much as that occupied by slaves. There is, however, one very essential difference between them. Such tenants, being freemen, are capable of acquiring property; and having a certain proportion of the produce of the land, they have a plain interest that the whole produce should be as great as possible, in order that their own proportion may be so. A slave, on the contrary, who can acquire nothing but his maintenance, consults his own ease, by making the land produce as little as possible over and above that maintenance. It is probable that it was partly upon account of this advantage, and partly upon account of the encroachments which the sovereigns, always jealous of the great lords, gradually encouraged their villains to make upon their authority, and which seem at last to have been such as rendered this species of servitude altogether inconvenient, that tenure in villanage gradually wore out through the greater part of Europe. The time and manner, however, in which so important a revolution was brought about, is one of the most obscure points in modern history. The church of Rome claims great merit in it; and it is certain, that so early as the twelfth century, Alexander the Third published a bull for the general emancipation of slaves. It seems, however, to have been rather a pious exhortation than a law, to which exact obedience was required from the faithful. Slavery continued to take place almost universally for several centuries afterwards, till it was gradually abolished by the joint operation of the two interests above mentioned, — that of the proprietor on the one hand, and that of the sovereign on the other. A villain enfranchised, and at the same time allowed to continue in possession of the land having no stock of his own, could cultivate it only by means of what the landlord advanced to him, and must therefore have been what the French call a Metayer.

It could never, however, be the interest even of this last species of cultivators to lay out, in the further improvement of the land, any part of the little stock which they might save from their own share of the produce; because the lord, who laid out nothing, was to get one half of whatever it produced. The tithe, which is but a tenth of the produce, is found to be a very great hindrance to improvement. A tax, therefore, which amounted to one half, must have been an effectual bar to it. It might be the interest of a metayer to make the land produce as much as could be brought out of it by means of the stock furnished by the proprietor; but it could never be his interest to mix any part of his own with it. In France, where five parts out of six of the whole kingdom are said to be still occupied by this species of cultivators, the proprietors complain that their metayers take every opportunity of employing the master's cattle rather in carriage than in cultivation; because, in the one case, they get the whole profits to themselves, in the other they share them with their landlord. This species of tenants still subsists in some parts of Scotland. They are called steel-bow tenants. Those ancient English tenants, who are said by Chief Baron Gilbert and Doctor Blackstone to have been rather bailiffs of the landlord than farmers properly so called, were probably of the same kind.

To this species of tenancy succeeded, though by very slow degrees, farmers properly so called, who cultivated the land with their own stock, paying a rent certain to the landlord. When such farmers have a lease for a term of years, they may sometimes find it for their interest to lay out part of their capital in the further improvement of the farm; because they may sometimes expect to recover it, with a large profit, before the expiration of the lease. The possession even of such farmers, however, was long extremely precarious, and still is so in many parts of Europe. They could, before the expiration of their term, be legally outed of their lease by a new purchaser; in England, even by the fictitious action of a common recovery. If they were turned out illegally by the violence of their master, the action by which they obtained redress was extremely imperfect. It did not always reinstate them in the possession of the land, but gave them damages which never amounted to the real loss. Even in England, the country perhaps of Europe where the yeomanry has always been most respected, it was not till about the 14th of Henry the

Seventh that the action of ejectment was invented, by which the tenant recovers, not damages only, but possession, and in which his claim is not necessarily concluded by the uncertain decision of a single assize. This action has been found so effectual a remedy, that, in the modern practice, when the landlord has occasion to sue for the possession of the land, he seldom makes use of the actions which properly belong to him as landlord—the writ of right or the writ of entry—but sues in the name of his tenant, by the writ of ejectment. In England, therefore, the security of the tenant is equal to that of the proprietor. In England, besides, a lease for life of forty shillings a year value is a freehold, and entitles the lessee to vote for a member of parliament; and as a great part of the yeomanry have freeholds of this kind, the whole order becomes respectable to their landlords, on account of the political consideration which this gives them. There is, I believe, nowhere in Europe, except in England, any instance of the tenant building upon the land of which he had no lease, and trusting that the honour of his landlord would take no advantage of so important an improvement. Those laws and customs, so favourable to the yeomanry, have perhaps contributed more to the present grandeur of England, than all their boasted regulations of commerce taken together.

The law which secures the longest leases against successors of every kind, is, so far as I know, peculiar to Great Britain. It was introduced into Scotland so early as 1449, by a law of James the Second.[1] Its beneficial influence, however, has been much obstructed by entails; the heirs of entail being generally restrained from letting leases for any long term of years, frequently for more than one year. A late act of parliament has, in this respect, somewhat slackened their fetters, though they are still by much too strait.[2] In Scotland, besides, as no leasehold gives a vote for a member of parliament, the yeomanry are upon this account less respectable to their landlords than in England.[3]

In other parts of Europe, after it was

[1] Subjoined is a copy of the act of 1449, cap. 18., which has been truly called the *Magna Charta* of the Scotch agriculturists: — "Item it is ordained, for the safetie and favour of the puir people that labouris the ground, that they, and all utheris that has taken, or sall take landes in time to come fra lordis, and has termes and zeirs thereof, that suppose the lordis sell or annally (alienate) that land or landes, the takers sall remaine with their tackes (leases) unto the ischue of their termes, quhal handes that ever thay landes come to, for siklike maill (rent) as they took them for."

[2] The statute referred to by Dr. Smith (10 Geo. III. c. 51.), deserved a more particular notice. It enacts, that the possessor of an entailed estate may grant leases for any number of years certain not exceeding thirty-one, or for fourteen years and one existing life; or for two existing lives, provided that in leases for two lives, or for any term of years exceeding nineteen, the tenant be taken bound to execute certain improvements specified in the act. It has been questioned, but not decided, whether a lease for nineteen years, supposing it were prohibited by the entail, and which did not stipulate for any improvements on the part of the tenant, could be supported under this statute. The question is not free from difficulty; but an unlearned person would be inclined to think, on a fair interpretation of the statute, that such lease would be valid.

Power is also given under this act to heirs of entail to grant leases for the purpose of building for ninety-nine years, under certain conditions. And heirs of entail are also authorised to burden the estate with three-fourths of the sums they have laid out in draining, planting, building farm-houses, &c., provided the aggregate amount of these sums does not exceed four years' free rental of the estate.

It has been decided by the Court of Session, and affirmed by the House of Lords, that though there should be no restriction in an entail upon the length of the leases which the heirs in possession are authorised to grant, they are not entitled, in consequence of the general prohibition of alienation, to grant such as are of extraordinary endurance. A lease for fifty-seven years has been cancelled on this ground; and it is doubtful whether a lease for a longer period than thirty-one years might not be objected to on the same principle. All leases on entailed estates, granted in consideration of fines (*Scottice grassums*), payable at the commencement of the lease, may be set aside by the succeeding heir: and, generally speaking, the Courts are inclined to look unfavourably upon all covenants or stipulations that have any very obvious tendency to lessen the future value of the estate, or which have not been entered upon in the view of securing its due and proper administration.

The letting of farms by fine is, in a public point of view, most objectionable. It deprives the tenant of the capital he would otherwise have been able to expend on the improvement of the farm, and most commonly incapacitates him from making any vigorous exertions during the currency of the lease: hence the opposition made by the Courts to this practice, seems not only consistent with the regard they are bound to entertain, so long as the system of entail is supported, for the interests of the succeeding heirs, but with the most enlarged views of national advantage. It does not indeed appear, in so far as respects the occupancy of lands by tenants, that there are any very good grounds, since the passing of the 10 Geo. III. cap. 51. for supposing that it suffers perceptibly from the circumstance of estates being entailed. From information derived from individuals well qualified to decide upon such subjects, we believe we may say, that at present leases on entailed estates, in Scotland, are, generally speaking, granted for longer terms than on most others; and, except where they are of immoderate length, or where they have been entered into for the collusive purpose of defeating the just rights of the succeeding heir of entail, they are equally valid.

[3] Had Dr. Smith said that the circumstance of the tenantry of Scotland not having the right to exercise the elective franchise rendered them less "useful" to their landlords, there would not, perhaps, have been much to object to in his statement. The Reform Act conferred the right of voting on all tenants holding land to the amount of 50*l.* a year in Scotland as well as in England; and no individual acquainted with the state of Scotland previously to and since the passing of that act, will say that it has made the tenants more "respectable" in the estimation of their landlords. It is certain, indeed, that it has had the very opposite effect; and, whatever may be its operation in other respects, it has already had, and will, there is every reason to think, continue to have, a most pernicious influence over the interests of the tenants and of agriculture. Formerly the landlords of Scotland rarely inquired as to the politics of their tenants; and, provided they paid their rents, and managed their lands according to the stipulations in their leases, they might be of any political or religious party they pleased. But now it is altogether different. The landlords desirous, like other people, of extending their political influence, endeavour to control, or rather command, the suffrages of their tenants, and to multiply the dependent voters on their estates. In furtherance of these objects they have not scrupled, in many instances, to resort

found convenient to secure tenants both against heirs and purchasers, the term of their security was still limited to a very short period: in France, for example, to nine years from the commencement of the lease. It has in that country, indeed, been lately extended to twenty-seven, — a period still too short to encourage the tenant to make the most important improvements. The proprietors of land were anciently the legislators of every part of Europe. The laws relating to land, therefore, were all calculated for what they supposed the interest of the proprietor. It was for his interest, they had imagined, that no lease granted by any of his predecessors should hinder him from enjoying, during a long term of years, the full value of his land. Avarice and injustice are always short-sighted, and they did not foresee how much this regulation must obstruct improvement, and thereby hurt, in the long run, the real interest of the landlord.

The farmers, too, besides paying the rent, were anciently, it was supposed, bound to perform a great number of services to the landlord, which were seldom either specified in the lease, or regulated by any precise rule, but by the use and want of the manor or barony. These services, therefore, being almost entirely arbitrary, subjected the tenant to many vexations. In Scotland, the abolition of all services not precisely stipulated in the lease, has, in the course of a few years, very much altered for the better the condition of the yeomanry of that country.

The public services to which the yeomanry were bound, were not less arbitrary than the private ones. To make and maintain the high roads, a servitude which still subsists, I believe, everywhere, though with different degrees of oppression in different countries, was not the only one. When the king's troops, when his household, or his officers of any kind, passed through any part of the country, the yeomanry were bound to provide them with horses, carriages, and provisions, at a price regulated by the purveyor. Great Britain is, I believe, the only monarchy in Europe where the oppression of purveyance has been entirely abolished. It still subsists in France and Germany.[1]

The public taxes to which they were subject, were as irregular and oppressive as the services. The ancient lords, though extremely unwilling to grant, themselves, any pecuniary aid to their sovereign, easily allowed him to tallage, as they called it, their tenants, and had not knowledge enough to foresee how much this must, in the end, affect their own revenue. The taille, as it still subsists in France, may serve as an example of those ancient tallages. It is a tax upon the supposed profits of the farmer, which they estimate by the stock that he has upon the farm. It is his interest, therefore, to appear to have as little as possible, and consequently to employ as little as possible in its cultivation, and none in its improvement. Should any stock happen to accumulate in the hands of a French farmer, the taille is almost equal to a prohibition of its ever being employed upon the land. This tax, besides, is supposed to disbonour whoever is subject to it, and to degrade him below, not only the rank of a gentleman, but that of a burgher; and whoever rents the lands of another becomes subject to it. No gentleman, nor even any burgher who has stock, will submit to this degradation. This tax, therefore, not only hinders the stock which accumulates upon the land from being employed in its improvement, but drives away all other stock from it. The ancient tenths and fifteenths, so usual in England in former times, seem, so far as they affected the land, to have been taxes of the same nature with the taille.[2]

Under all these discouragements, little improvement could be expected from the occupiers of land. That order of people,

to a system of intimidation, and to adopt vindictive measures against such of their tenants as have voted contrary to their wishes. This, however, though the most prominent at the time, is but the least evil resulting from the new state of things. It has already led, in numerous instances, to a change in the mode of letting lands; and there is but too much reason to fear that it will in the end subvert that system of giving leases for nineteen or twenty years certain, that has been the main cause of the wonderful improvement of Scotch agriculture. It has also occasioned, in various instances, a subdivision of farms, for the mere purpose of creating voters; and there cannot, indeed, be a question that, however well intended, the conferring of the elective franchise on the tenants has been one of the greatest blows ever struck at their independence, and at the prosperity of agriculture. Nor is there any thing in this but what might have been, and in fact was, anticipated from the outset. Tenants, as such, are about the very last description of persons to whom the franchise ought to be conceded. Very many of them are indebted to and dependent upon their landlords; and the few who are independent are so because they have accumulated property, and would, in consequence, have been entitled to the franchise, had it been conferred, as it should have been, on those only who possessed a certain amount of independent property. If that be the best system of voting that brings the greatest number of independent electors to the poll, and keeps back the greatest number of those that are dependent, the giving of the franchise to the tenants and occupiers of land must be about the very worst system, for they are, of all classes, that which is most dependent and most at the mercy of others.

It would be easy to corroborate what has now been stated by references to the history of the letting of land in England and Ireland, in both of which, but particularly in the latter, the conferring of the franchise on tenants has been most injurious to agriculture and to the public interests. But the circumstances must be sufficiently well known to all moderately well-informed readers; and the further discussion of the subject might not be considered suitable to a work of this description.

[1] In France all these feudal privileges were abolished at the Revolution.

[2] The taille was abolished at the Revolution; the *contribution fonciere*, established in its stead, affects all lands without distinction.

with all the liberty and security which law can give, must always improve under great disadvantages. The farmer, compared with the proprietor, is as a merchant who trades with borrowed money, compared with one who trades with his own. The stock of both may improve; but that of the one, with only equal good conduct, must always improve more slowly than that of the other, on account of the large share of the profits which is consumed by the interest of the loan. The lands cultivated by the farmer must, in the same manner, with only equal good conduct, be improved more slowly than those cultivated by the proprietor, on account of the large share of the produce which is consumed in the rent, and which, had the farmer been proprietor, he might have employed in the further improvement of the land. The station of a farmer, besides, is, from the nature of things, inferior to that of a proprietor. Through the greater part of Europe, the yeomanry are regarded as an inferior rank of people, even to the better sort of tradesmen and mechanics, and in all parts of Europe to the great merchants and master manufacturers. It can seldom happen, therefore, that a man of any considerable stock should quit the superior, in order to place himself in an inferior station. Even in the present state of Europe, therefore, little stock is likely to go from any other profession to the improvement of land in the way of farming. More does, perhaps, in Great Britain than in any other country, though even there the great stocks which are in some places employed in farming, have generally been acquired by farming, the trade, perhaps, in which, of all others, stock is commonly acquired most slowly. After small proprietors, however, rich and great farmers are in every country the principal improvers. There are more such, perhaps, in England than in any other European monarchy. In the republican governments of Holland and of Berne, in Switzerland, the farmers are said to be not inferior to those of England.

The ancient policy of Europe was, over and above all this, unfavourable to the improvement and cultivation of land, whether carried on by the proprietor or by the farmer; first, by the general prohibition of the exportation of corn without a special licence, which seems to have been a very universal regulation; and, secondly, by the restraints which were laid upon the inland commerce, not only of corn, but of almost every other part of the produce of the farm, by the absurd laws against engrossers, regraters, and forestallers, and by the privileges of fairs and markets. It has already been observed in what manner the prohibition of the exportation of corn, together with some encouragement given to the importation of foreign corn, obstructed the cultivation of ancient Italy, naturally the most fertile country in Europe, and at that time the seat of the greatest empire in the world. To what degree such restraints upon the inland commerce of this commodity, joined to the general prohibition of exportation, must have discouraged the cultivation of countries less fertile, and less favourably circumstanced, it is not, perhaps, very easy to imagine.

CHAP. III.

Of the Rise and Progress of Cities and Towns, after the Fall of the Roman Empire.

The inhabitants of cities and towns were, after the fall of the Roman empire, not more favoured than those of the country. They consisted, indeed, of a very different order of people from the first inhabitants of the ancient republics of Greece and Italy. These last were composed chiefly of the proprietors of lands, among whom the public territory was originally divided, and who found it convenient to build their houses in the neighbourhood of one another, and to surround them with a wall, for the sake of common defence. After the fall of the Roman empire, on the contrary, the proprietors of land seem generally to have lived in fortified castles on their own estates, and in the midst of their own tenants and dependants. The towns were chiefly inhabited by tradesmen and mechanics, who seem, in those days, to have been of servile, or very nearly of servile condition. The privileges which we find granted by ancient charters to the inhabitants of some of the principal towns in Europe, sufficiently show what they were before those grants. The people to whom it is granted as a privilege, that they might give away their own daughters in marriage without the consent of their lord, that upon their death their own children, and not their lord, should succeed to their goods, and that they might dispose of their own effects by will, must, before those grants, have been either altogether or very nearly in the same state of villanage with the occupiers of land in the country.

They seem, indeed, to have been a very poor, mean set of people, who used to travel about with their goods from place to place, and from fair to fair, like the hawkers and pedlars of the present times. In all the different countries of Europe then, in the same manner as in several of the Tartar governments of Asia at present, taxes used to be levied upon the persons and goods of travellers, when they passed through certain manors, when they went over certain bridges, when they carried about their goods from place to place in a fair, when they erected in

it a booth or stall to sell them in. These different taxes were known in England by the names of passage, pontage, lastage, and stallage. Sometimes the king, sometimes a great lord, who had, it seems, upon some occasions, authority to do this, would grant to particular traders, to such particularly as lived in their own demesnes, a general exemption from such taxes. Such traders, though in other respects of servile, or very nearly of servile, condition, were upon this account called free traders. They, in return, usually paid to their protector a sort of annual poll-tax. In those days protection was seldom granted without a valuable consideration, and this tax might perhaps be considered as compensation for what their patrons might lose by their exemption from other taxes. At first, both those poll-taxes and those exemptions seem to have been altogether personal, and to have affected only particular individuals, during either their lives or the pleasure of their protectors. In the very imperfect accounts which have been published from Domesday-book, of several of the towns of England, mention is frequently made, sometimes of the tax which particular burghers paid, each of them, either to the king or to some other great lord, for this sort of protection, and sometimes of the general amount only of all those taxes.[1]

But how servile soever may have been originally the condition of the inhabitants of the towns, it appears evidently that they arrived at liberty and independence much earlier than the occupiers of land in the country. That part of the king's revenue which arose from such poll-taxes in any particular town, used commonly to be let in farm, during a term of years, for a rent certain, sometimes to the sheriff of the county, and sometimes to other persons. The burghers themselves frequently got credit enough to be admitted to farm the revenues of this sort which arose out of their own town, they becoming jointly and severally answerable for the whole rent.[2] To let a farm in this manner, was quite agreeable to the usual economy of, I believe, the sovereigns of all the different countries of Europe; who used frequently to let whole manors to all the tenants of those manors, they becoming jointly and severally answerable for the whole rent; but in return being allowed to collect it in their own way, and to pay it into the king's exchequer by the hands of their own bailiff, and being thus altogether freed from the insolence of the king's officers; a circumstance in those days regarded as of the greatest importance.

At first, the farm of the town was probably let to the burghers, in the same manner as it had been to other farmers, for a term of years only. In process of time, however, it seems to have become the general practice to grant it to them in fee, that is for ever, reserving a rent certain, never afterwards to be augmented. The payment having thus become perpetual, the exemptions, in return for which it was made, naturally became perpetual too. Those exemptions, therefore, ceased to be personal, and could not afterwards be considered as belonging to individuals as individuals, but as burghers of a particular burgh, which, upon this account, was called a free burgh, for the same reason that they had been called free burghers or free traders.

Along with this grant, the important privileges above mentioned, that they might give away their own daughters in marriage, that their children should succeed to them, and that they might dispose of their own effects by will, were generally bestowed upon the burghers of the town to whom it was given. Whether such privileges had before been usually granted, along with the freedom of trade, to particular burghers, as individuals, I know not. I reckon it not improbable that they were, though I cannot produce any direct evidence of it. But however this may have been, the principal attributes of villanage and slavery being thus taken away from them, they now at least became really free, in our present sense of the word freedom.

Nor was this all. They were generally at the same time erected into a commonalty or corporation, with the privilege of having magistrates and a town-council of their own, of making by-laws for their own government, of building walls for their own defence, and of reducing all their inhabitants under a sort of military discipline, by obliging them to watch and ward; that is, as anciently understood, to guard and defend those walls against all attacks and surprises by night as well as by day. In England they were generally exempted from suit to the hundred and county courts; and all such pleas as should arise among them, the pleas of the crown excepted, were left to the decision of their own magistrates. In other countries, much greater and more extensive jurisdictions were frequently granted to them.[3]

It might, probably, be necessary to *grant* to such towns as were admitted to farm their own revenues, some sort of compulsive jurisdiction to oblige their own citizens to make payment. In those disorderly times, it might have been extremely inconvenient to

[1] See Brady's Historical Treatise of Cities and Burroughs, p. 3, &c.

[2] See Madox, Firma Burgi, p. 18.; also History of the Exchequer, chap. x. sect. v. p. 223, 1st ed. (Note by the author.)

[3] See Madox, Firma Burgi. See also Pfeffel in the Remarkable Events under Frederick the Second, and his Successors of the House of Suabia. (Note by the author.)

have left them to seek this sort of justice from any other tribunal. But it must seem extraordinary, that the sovereigns of all the different countries of Europe should have exchanged in this manner for a rent certain, never more to be augmented, that branch of their revenue which was, perhaps, of all others, the most likely to be improved by the natural course of things, without either expense or attention of their own; and that they should, besides, have in this manner voluntarily erected a sort of independent republics in the heart of their own dominions.

In order to understand this, it must be remembered, that, in those days, the sovereign of perhaps no country in Europe was able to protect, through the whole extent of his dominions, the weaker part of his subjects from the oppression of the great lords. Those whom the law could not protect, and who were not strong enough to defend themselves, were obliged either to have recourse to the protection of some great lord, and in order to obtain it, to become either his slaves or vassals; or to enter into a league of mutual defence for the common protection of one another. The inhabitants of cities and burghs, considered as single individuals, had no power to defend themselves; but by entering into a league of mutual defence with their neighbours, they were capable of making no contemptible resistance. The lords despised the burghers, whom they considered not only as of a different order, but as a parcel of emancipated slaves, almost of a different species from themselves. The wealth of the burghers never failed to provoke their envy and indignation, and they plundered them upon every occasion without mercy or remorse. The burghers naturally hated and feared the lords. The king hated and feared them too; though perhaps he might despise, he had no reason either to hate or fear the burghers. Mutual interest, therefore, disposed them to support the king, and the king to support them against the lords. They were the enemies of his enemies, and it was his interest to render them as secure and independent of those enemies as he could. By granting them magistrates of their own, the privilege of making by-laws for their own government, that of building walls for their own defence, and that of reducing all their inhabitants under a sort of military discipline, he gave them all the means of security and independency of the barons which it was in his power to bestow. Without the establishment of some regular government of this kind, without some authority to compel their inhabitants to act according to some certain plan or system, no voluntary league of mutual defence could either have afforded them any permanent security, or have enabled them to give the king any considerable support. By granting them the farm of their town in fee, he took away from those whom he wished to have for his friends, and, if one may say so, for his allies, all ground of jealousy and suspicion that he was ever afterwards to oppress them, either by raising the farm-rent of their town, or by granting it to some other farmer.

The princes who lived upon the worst terms with their barons, seem accordingly to have been the most liberal in grants of this kind to their burghs. King John of England, for example, appears to have been a most munificent benefactor to his towns.[1] Philip the First of France lost all authority over his barons. Towards the end of his reign, his son Lewis, known afterwards by the name of Lewis the Fat, consulted, according to Father Daniel, with the bishops of the royal demesnes, concerning the most proper means of restraining the violence of the great lords. Their advice consisted of two different proposals. One was to erect a new order of jurisdiction, by establishing magistrates and a town-council in every considerable town of his demesnes. The other was to form a new militia, by making the inhabitants of those towns, under the command of their own magistrates, march out upon proper occasions to the assistance of the king. It is from this period, according to the French antiquarians, that we are to date the institution of the magistrates and councils of cities in France. It was during the unprosperous reigns of the princes of the house of Suabia, that the greater part of the free towns of Germany received the first grants of their privileges, and that the famous Hanseatic league first became formidable.[2]

The militia of the cities seems, in those times, not to have been inferior to that of the country; and as they could be more readily assembled upon any sudden occasion, they frequently had the advantage in their disputes with the neighbouring lords. In countries such as Italy and Switzerland, in which, on account either of their distance from the principal seat of government, of the natural strength of the country itself, or of some other reason, the sovereign came to lose the whole of his authority; the cities generally became independent republics, and conquered all the nobility in their neighbourhood; obliging them to pull down their castles in the country, and to live, like other peaceable inhabitants, in the city. This is the short history of the republic of Berne, as well as of several other cities in Switzerland. If you except Venice, for of that city the history is somewhat different, it is the history of all the considerable Italian republics, of which so great a number arose and

[1] See Madox. [2] See Pfeffel.

perished between the end of the twelfth and the beginning of the sixteenth century.

In countries such as France or England, where the authority of the sovereign, though frequently very low, never was destroyed altogether, the cities had no opportunity of becoming entirely independent. They became, however, so considerable, that the sovereign could impose no tax upon them, besides the stated farm-rent of the town, without their own consent. They were, therefore, called upon to send deputies to the general assembly of the states of the kingdom, where they might join with the clergy and the barons in granting, upon urgent occasions, some extraordinary aid to the king. Being generally, too, more favourable to his power, their deputies seem sometimes to have been employed by him as a counterbalance in those assemblies to the authority of the great lords. Hence the origin of the representation of burghs in the states-general of all great monarchies in Europe.

Order and good government, and along with them the liberty and security of individuals, were in this manner established in cities, at a time when the occupiers of land in the country were exposed to every sort of violence. But men in this defenceless state naturally content themselves with their necessary subsistence; because, to acquire more, might only tempt the injustice of their oppressors. On the contrary, when they are secure of enjoying the fruits of their industry, they naturally exert it to better their condition, and to acquire not only the necessaries, but the conveniencies and elegancies of life. That industry, therefore, which aims at something more than necessary subsistence, was established in cities long before it was commonly practised by the occupiers of land in the country. If, in the hands of a poor cultivator, oppressed with the servitude of villanage, some little stock should accumulate, he would naturally conceal it with great care from his master, to whom it would otherwise have belonged, and take the first opportunity of running away to a town. The law was at that time so indulgent to the inhabitants of towns, and so desirous of diminishing the authority of the lords over those of the country, that if he could conceal himself there from the pursuit of his lord for a year, he was free for ever. Whatever stock, therefore, accumulated in the hands of the industrious part of the inhabitants of the country, naturally took refuge in cities, as the only sanctuaries in which it could be secure to the person that acquired it.

The inhabitants of a city, it is true, must always ultimately derive their subsistence, and the whole materials and means of their industry, from the country. But those of a city, situated near either the sea-coast or the banks of a navigable river, are not necessarily confined to derive them from the country in their neighbourhood. They have a much wider range, and may draw them from the most remote corners of the world, either in exchange for the manufactured produce of their own industry, or by performing the office of carriers between distant countries, and exchanging the produce of one for that of another. A city might, in this manner, grow up to great wealth and splendour, while not only the country in its neighbourhood, but all those to which it traded, were in poverty and wretchedness. Each of those countries, perhaps, taken singly, could afford it but a small part either of its subsistence or of its employment; but all of them taken together, could afford it both a great subsistence and a great employment. There were, however, within the narrow circle of the commerce of those times, some countries that were opulent and industrious. Such was the Greek empire as long as it subsisted, and that of the Saracens during the reigns of the Abassides. Such, too, was Egypt till it was conquered by the Turks, some part of the coast of Barbary, and all those provinces of Spain which were under the government of the Moors.

The cities of Italy seem to have been the first in Europe which were raised by commerce to any considerable degree of opulence. Italy lay in the centre of what was at that time the improved and civilised part of the world. The Crusades, too, though by the great waste of stock and destruction of inhabitants which they occasioned, they must necessarily have retarded the progress of the greater part of Europe, were extremely favourable to that of some Italian cities. The great armies which marched from all parts to the conquest of the Holy Land, gave extraordinary encouragement to the shipping of Venice, Genoa, and Pisa, sometimes in transporting them thither, and always in supplying them with provisions. They were the commissaries, if one may say so, of those armies, and the most destructive frenzy that ever befell the European nations, was a source of opulence to those republics.

The inhabitants of trading cities, by importing the improved manufactures and expensive luxuries of richer countries, afforded some food to the vanity of the great proprietors, who eagerly purchased them with great quantities of the rude produce of their own lands. The commerce of a great part of Europe in those times, accordingly, consisted chiefly in the exchange of their own rude, for the manufactured produce of more civilised nations. Thus the wool of England used to be exchanged for the wines of France, and the fine cloths of Flanders in the same manner as the corn in Poland is at this day exchanged for the wines and

brandies of France, and for the silks and velvets of France and Italy.

A taste for the finer and more improved manufactures was, in this manner, introduced by foreign commerce into countries where no such works were carried on. But when this taste became so general as to occasion a considerable demand, the merchants, in order to save the expense of carriage, naturally endeavoured to establish some manufactures of the same kind in their own country. Hence the origin of the first manufactures for distant sale that seem to have been established in the western provinces of Europe, after the fall of the Roman empire.

No large country, it must be observed, ever did or could subsist without some sort of manufactures being carried on in it; and when it is said of any such country that it has no manufactures, it must always be understood of the finer and more improved, or of such as are fit for distant sale. In every large country, both the clothing and household furniture of the far greater part of the people are the produce of their own industry. This is even more universally the case in those poor countries which are commonly said to have no manufactures, than in those rich ones that are said to abound in them. In the latter you will generally find, both in the clothes and household furniture of the lowest rank of people, a much greater proportion of foreign productions than in the former.

Those manufactures which are fit for distant sale, seem to have been introduced into different countries in two different ways.

Sometimes they have been introduced, in the manner above mentioned, by the violent operation, if one may say so, of the stocks of particular merchants and undertakers, who established them in imitation of some foreign manufactures of the same kind. Such manufactures, therefore, are the offspring of foreign commerce, and such seem to have been the ancient manufactures of silks, velvets, and brocades, which flourished in Lucca during the thirteenth century. They were banished from thence by the tyranny of one of Machiavel's heroes, Castruccio Castracani. In 1310, nine hundred families were driven out of Lucca, of whom thirty-one retired to Venice, and offered to introduce there the silk manufacture.[1] Their offer was accepted, many privileges were conferred upon them, and they began the manufacture with three hundred workmen. Such, too, seem to have been the manufactures of fine cloths that anciently flourished in Flanders, and which were introduced into England in the beginning of the reign of Elizabeth; and such are the present silk manufactures of Lyons and Spitalfields. Manufactures introduced in this manner are generally employed upon foreign materials, being imitations of foreign manufactures. When the Venetian manufacture was first established, the materials were all brought from Sicily and the Levant. The more ancient manufacture of Lucca was likewise carried on with foreign materials. The cultivation of mulberry trees, and the breeding of silk-worms, seem not to have been common in the northern parts of Italy before the sixteenth century. Those arts were not introduced into France till the reign of Charles IX. The manufactures of Flanders were carried on chiefly with Spanish and English wool. Spanish wool was the material, not of the first woollen manufacture in England, but of the first that was fit for distant sale. More than one half the materials of the Lyons manufacture is at this day foreign silk; when it was first established, the whole, or very nearly the whole, was so. No part of the materials of the Spitalfields manufacture is ever likely to be the produce of England. The seat of such manufactures, as they are generally introduced by the scheme and project of a few individuals, is sometimes established in a maritime city, and sometimes in an inland town, according as their interest, judgment, or caprice, happen to determine.

At other times manufactures for distant sale grow up naturally, and, as it were, of their own accord, by the gradual refinement of those household and coarser manufactures which must at all times be carried on even in the poorest and rudest countries. Such manufactures are generally employed upon the materials which the country produces, and they seem frequently to have been first refined and improved in such inland countries as were not, indeed, at a very great, but at a considerable distance from the sea-coast, and sometimes even from all water carriage. An inland country, naturally fertile and easily cultivated, produces a great surplus of provisions beyond what is necessary for maintaining the cultivators; and on account of the expense of land carriage, and inconveniency of river navigation, it may frequently be difficult to send this surplus abroad. Abundance, therefore, renders provisions cheap, and encourages a great number of workmen to settle in the neighbourhood, who find that their industry can there procure them more of the necessaries and conveniencies of life than in other places. They work up the materials of manufacture which the land produces, and exchange their finished work, or, what is the same thing, the price of it, for more materials and provisions. They give a new value to the surplus part of the rude produce, by saving the expense of carrying it to the water-side, or to some distant market; and they furnish

[1] See Sandi Istoria Civile de Vinezia, part ii. vol. i. p. 247. and 256.

the cultivators with something in exchange for it, that is either useful or agreeable to them, upon easier terms than they could have obtained it before. The cultivators get a better price for their surplus produce, and can purchase cheaper other conveniencies which they have occasion for. They are thus both encouraged and enabled to increase this surplus produce by a further improvement and better cultivation of the land; and as the fertility of the land had given birth to the manufacture, so the progress of the manufacture re-acts upon the land, and increases still further its fertility. The manufacturers first supply the neighbourhood, and afterwards, as their work improves and refines, more distant markets. For though neither the rude produce, nor even the coarse manufacture, could, without the greatest difficulty, support the expense of a considerable land carriage, the refined and improved manufacture easily may. In a small bulk it frequently contains the price of a great quantity of rude produce. A piece of fine cloth, for example, which weighs only eighty pounds, contains in it the price, not only of eighty pounds weight of wool, but sometimes of several thousand weight of corn, the maintenance of the different working people, and of their immediate employers. The corn, which could with difficulty have been carried abroad in its own shape, is in this manner virtually exported in that of the complete manufacture, and may easily be sent to the remotest corners of the world. In this manner have grown up naturally, and, as it were, of their own accord, the manufactures of Leeds, Halifax, Sheffield, Birmingham, and Wolverhampton. Such manufactures are the offspring of agriculture. In the modern history of Europe, their extension and improvement have generally been posterior to those which were the offspring of foreign commerce. England was noted for the manufacture of fine cloths, made of Spanish wool, more than a century before any of those which now flourish in the places above mentioned were fit for foreign sale. The extension and improvement of these last could not take place but in consequence of the extension and improvement of agriculture, the last and greatest effect of foreign commerce, and of the manufactures immediately introduced by it, and which I shall now proceed to explain.

CHAP. IV.

How the Commerce of Towns contributed to the Improvement of the Country.

THE increase and riches of commercial and manufacturing towns contributed to the improvement and cultivation of the countries to which they belonged, in three different ways: —

First, By affording a great and ready market for the rude produce of the country, they gave encouragement to its cultivation and further improvement. This benefit was not even confined to the countries in which they were situated, but extended more or less to all those with which they had any dealings. To all of them they afforded a market for some part either of their rude or manufactured produce, and, consequently, gave some encouragement to the industry and improvement of all. Their own country, however, on account of its neighbourhood, necessarily derived the greatest benefit from this market. Its rude produce being charged with less carriage, the traders could pay the growers a better price for it, and yet afford it as cheap to the consumers as that of more distant countries.

Secondly, The wealth acquired by the inhabitants of cities was frequently employed in purchasing such lands as were to be sold, of which a great part would frequently be uncultivated. Merchants are commonly ambitious of becoming country gentlemen, and, when they do, they are generally the best of all improvers. A merchant is accustomed to employ his money chiefly in profitable projects; whereas a mere country gentleman is accustomed to employ it chiefly in expense. The one often sees his money go from him and return to him again with a profit; the other, when once he parts with it, very seldom expects to see any more of it. Those different habits naturally affect their temper and disposition in every sort of business. The merchant is commonly a bold, a country gentleman a timid undertaker. The one is not afraid to lay out at once a large capital upon the improvement of his land, when he has a probable prospect of raising the value of it in proportion to the expense; the other, if he has any capital, which is not always the case, seldom ventures to employ it in this manner. If he improves at all, it is commonly not with a capital, but with what he can save out of his annual revenue. Whoever has had the fortune to live in a mercantile town, situated in an unimproved country, must have frequently observed how much more spirited the operations of merchants were in this way than those of mere country gentlemen. The habits, besides, of order, economy, and attention, to which mercantile business naturally forms a merchant, render him much fitter to execute, with profit and success, any project of improvement.

Thirdly, and lastly, Commerce and manufactures gradually introduced order and good government, and with them the liberty and security of individuals, among the inhabit-

ants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors. This, though it has been the least observed, is by far the most important of all their effects. Mr. Hume is the only writer who, so far as I know, has hitherto taken notice of it.

In a country which has neither foreign commerce nor any of the finer manufactures, a great proprietor, having nothing for which he can exchange the greater part of the produce of his lands which is over and above the maintenance of the cultivators, consumes the whole in rustic hospitality at home. If this surplus produce is sufficient to maintain a hundred or a thousand men, he can make use of it in no other way than by maintaining a hundred or a thousand men. He is at all times, therefore, surrounded with a multitude of retainers and dependants, who having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, must obey him, for the same reason that soldiers must obey the prince who pays them. Before the extension of commerce and manufactures in Europe, the hospitality of the rich and the great, from the sovereign down to the smallest baron, exceeded every thing which, in the present times, we can easily form a notion of. Westminster-hall was the dining-room of William Rufus, and might frequently, perhaps, not be too large for his company. It was reckoned a piece of magnificence in Thomas Becket, that he strewed the floor of his hall with clean hay or rushes in the season, in order that the knights and squires, who could not get seats, might not spoil their fine clothes when they sat down on the floor to eat their dinner. The great Earl of Warwick is said to have entertained every day, at his different manors, thirty thousand people; and though the number here may have been exaggerated, it must, however, have been very great to admit of such exaggeration. A hospitality nearly of the same kind was exercised, not many years ago, in many different parts of the highlands of Scotland. It seems to be common in all nations to whom commerce and manufactures are little known. I have seen, says Doctor Pocock, an Arabian chief dine in the streets of a town where he had come to sell his cattle, and invite all passengers, even common beggars, to sit down with him and partake of his banquet.

The occupiers of land were in every respect as dependent upon the great proprietor as his retainers. Even such of them as were not in a state of villanage, were tenants at will, who paid a rent in no respect equivalent to the subsistence which the land afforded them. A crown, half a crown, a sheep, a lamb, was some years ago, in the highlands of Scotland, a common rent for lands which maintained a family. In some places it is so at this day; nor will money at present purchase a greater quantity of commodities there than in other places. In a country where the surplus produce of a large estate must be consumed upon the estate itself, it will frequently be more convenient for the proprietor that part of it be consumed at a distance from his own house, provided they who consume it are as dependent upon him as either his retainers or his menial servants. He is thereby saved from the embarrassment of either too large a company or too large a family. A tenant at will, who possesses land sufficient to maintain his family for little more than a quit-rent, is as dependent upon the proprietor as any servant or retainer whatever, and must obey him with as little reserve. Such a proprietor, as he feeds his servants and retainers at his own house, so he feeds his tenants at their houses. The subsistence of both is derived from his bounty, and its continuance depends upon his good pleasure.

Upon the authority which the great proprietors necessarily had in such a state of things over their tenants and retainers, was founded the power of the ancient barons. They necessarily became the judges in peace and the leaders in war, of all who dwelt upon their estates. They could maintain order, and execute the law, within their respective demesnes, because each of them could there turn the whole force of all the inhabitants against the injustice of any one. No other person had sufficient authority to do this. The king, in particular, had not. In those ancient times he was little more than the greatest proprietor in his dominions, to whom for the sake of common defence against their common enemies, the other great proprietors paid certain respects. To have enforced payment of a small debt within the lands of a proprietor, where all the inhabitants were armed and accustomed to stand by one another, would have cost the king, had he attempted it by his own authority, almost the same effort as to extinguish a civil war. He was therefore obliged to abandon the administration of justice, through the greater part of the country, to those who were capable of administering it; and, for the same reason, to leave the command of the country militia to those whom that militia would obey.

It is a mistake to imagine that those territorial jurisdictions took their origin from the feudal law. Not only the highest jurisdictions, both civil and criminal, but the power of levying troops, of coining money, and even that of making by-laws for the government of their own people, were all rights possessed allodially by the great proprietors of land, several centuries before even the name of the feudal law was known in Europe.

The authority and jurisdiction of the Saxon lords in England appear to have been as great before the conquest as that of any of the Norman lords after it. But the feudal law is not supposed to have become the common law of England till after the conquest. That the most extensive authority and jurisdictions were possessed by the great lords in France allodially, long before the feudal law was introduced into that country, is a matter of fact that admits of no doubt. That authority, and those jurisdictions, all necessarily flowed from the state of property and manners just now described. Without remounting to the remote antiquities of either the French or English monarchies, we may find in much later times many proofs that such effects must always flow from such causes. It is not thirty years ago since Mr. Cameron of Lochiel, a gentleman of Lochaber in Scotland, without any legal warrant whatever, not being what was then called a lord of regality, nor even a tenant in chief, but a vassal of the Duke of Argyle, and without being so much as a justice of peace, used, notwithstanding, to exercise the highest criminal jurisdiction over his own people. He is said to have done so with great equity, though without any of the formalities of justice: and it is not improbable that the state of that part of the country at that time made it necessary for him to assume this authority, in order to maintain the public peace. That gentleman, whose rent never exceeded five hundred pounds a year, carried, in 1745, eight hundred of his own people into the rebellion with him.

The introduction of the feudal law, so far from extending, may be regarded as an attempt to moderate the authority of the great allodial lords. It established a regular subordination, accompanied with a long train of services and duties, from the king down to the smallest proprietor. During the minority of the proprietor, the rent, together with the management of his lands, fell into the hands of his immediate superior, and consequently, those of all great proprietors into the hands of the king, who was charged with the maintenance and education of the pupil, and who, from his authority as guardian, was supposed to have a right of disposing of him in marriage, provided it was in a manner not unsuitable to his rank. But though this institution necessarily tended to strengthen the authority of the king, and to weaken that of the great proprietors, it could not do either sufficiently for establishing order and good government among the inhabitants of the country; because it could not alter sufficiently that state of property and manners from which the disorders arose. The authority of government still continued to be, as before, too weak in the head, and too strong in the inferior members; and the excessive strength of the inferior members was the cause of the weakness of the head. After the institution of feudal subordination, the king was as incapable of restraining the violence of the great lords as before. They still continued to make war according to their own discretion, almost continually upon one another, and very frequently upon the king; and the open country still continued to be a scene of violence, rapine, and disorder.

But what all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about. These gradually furnished the great proprietors with something for which they could exchange the whole surplus produce of their lands, and which they could consume themselves, without sharing it either with tenants or retainers. All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles, perhaps, or for something as frivolous and useless, they exchanged the maintenance, or, what is the same thing, the price of the maintenance, of a thousand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any share of them; whereas, in the more ancient method of expense, they must have shared with at least a thousand people. With the judges that were to determine the preference, this difference was perfectly decisive; and thus, for the gratification of the most childish, the meanest, and the most sordid of all vanities, they gradually bartered their whole power and authority.

In a country where there is no foreign commerce, nor any of the finer manufactures, a man of ten thousand a year cannot well employ his revenue in any other way than in maintaining, perhaps, a thousand families, who are all of them necessarily at his command. In the present state of Europe, a man of ten thousand a year can spend his whole revenue, and he generally does so, without directly maintaining twenty people, or being able to command more than ten footmen not worth the commanding. Indirectly, perhaps, he maintains as great or even a greater, number of people than he could have done by the ancient method of expense: for though the quantity of precious productions for which he exchanges his whole revenue be very small, the number of workmen employed in collecting and preparing it, must necessarily have been very

great. Its great price generally arises from the wages of their labour, and the profits of all their immediate employers. By paying that price, he indirectly pays all those wages and profits, and thus indirectly contributes to the maintenance of all the workmen and their employers. He generally contributes, however, but a very small proportion to that of each; to very few, perhaps, a tenth, to many not a hundredth, and to some not a thousandth, nor even a ten thousandth part of their whole annual maintenance. Though he contributes, therefore, to the maintenance of them all, they are all more or less independent of him, because generally they can all be maintained without him.

When the great proprietors of land spend their rents in maintaining their tenants and retainers, each of them maintains entirely all his own tenants and all his own retainers. But when they spend them in maintaining tradesmen and artificers, they may, all of them taken together, perhaps maintain as great, or, on account of the waste which attends rustic hospitality, a greater number of people than before. Each of them, however, taken singly, contributes often but a very small share to the maintenance of any individual of this greater number. Each tradesman or artificer derives his subsistence from the employment, not of one, but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them.

The personal expense of the great proprietors having in this manner gradually increased, it was impossible that the number of their retainers should not as gradually diminish, till they were at last dismissed altogether. The same cause gradually led them to dismiss the unnecessary part of their tenants. Farms were enlarged, and the occupiers of land, notwithstanding the complaints of depopulation, reduced to the number necessary for cultivating it, according to the imperfect state of cultivation and improvement in those times. By the removal of the unnecessary mouths, and by exacting from the farmer the full value of the farm, a greater surplus, or what is the same thing, the price of a greater surplus, was obtained for the proprietor, which the merchants and manufacturers soon furnished him with a method of spending upon his own person, in the same manner as he had done the rest. The cause continuing to operate, he was desirous to raise his rents above what his lands, in the actual state of their improvement, could afford. His tenants could agree to this upon one condition only, that they should be secured in their possession for such a term of years as might give them time to recover, with profit, whatever they should lay out in the further improvement of the land. The expensive vanity of the landlord made him willing to accept of this condition; and hence the origin of long leases.

Even a tenant at will, who pays the full value of the land, is not altogether dependent upon the landlord. The pecuniary advantages which they receive from one another, are mutual and equal, and such a tenant will expose neither his life nor his fortune in the service of the proprietor. But if he has a lease for a long term of years, he is altogether independent; and his landlord must not expect from him even the most trifling service, beyond what is either expressly stipulated in the lease, or imposed upon him by the common and known law of the country.

The tenants having in this manner become independent, and the retainers being dismissed, the great proprietors were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country. Having sold their birthright, not like Esau for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the playthings of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city. A regular government was established in the country as well as in the city, nobody having sufficient power to disturb its operations in the one, any more than in the other.

It does not, perhaps, relate to the present subject, but I cannot help remarking it, that very old families, such as have possessed some considerable estate from father to son for so many successive generations, are very rare in commercial countries. In countries which have little commerce, on the contrary, such as Wales or the highlands of Scotland, they are very common. The Arabian histories seem to be all full of genealogies; and there is a history written by a Tartar Khan, which has been translated into several European languages, and which contains scarce any thing else; a proof that ancient families are very common among those nations. In countries where a rich man can spend his revenue in no other way than by maintaining as many people as it can maintain, he is apt to run out, and his benevolence, it seems, is seldom so violent as to attempt to maintain more than he can afford. But where he can spend the greatest revenue upon his own person, he frequently has no bounds to his expense, because he frequently has no bounds to his vanity, or to his affection for his own person. In commercial countries, therefore, riches, in spite of the most violent regulations of law to prevent their dissipation, very seldom remain long in the same family. Among simple nations, on

the contrary, they frequently do, without any regulations of law; for among nations of shepherds, such as the Tartars and Arabs, the consumable nature of their property necessarily renders all such regulations impossible.

A revolution of the greatest importance to the public happiness was in this manner brought about by two different orders of people, who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The merchants and artificers, much less ridiculous, acted merely from a view to their own interest, and in pursuit of their own pedlar principle of turning a penny wherever a penny was to be got. Neither of them had either knowledge or foresight of that great revolution which the folly of the one and the industry of the other was gradually bringing about.

It was thus that through the greater part of Europe the commerce and manufactures of cities, instead of being the effect, have been the cause and occasion of the improvement and cultivation of the country.

This order, however, being contrary to the natural course of things, is necessarily both slow and uncertain. Compare the slow progress of those European countries, of which the wealth depends very much upon their commerce and manufactures, with the rapid advances of our North American colonies, of which the wealth is founded altogether in agriculture. Through the greater part of Europe, the number of inhabitants is not supposed to double in less than five hundred years. In several of our North American colonies, it is found to double in twenty or five-and-twenty years. In Europe, the law of primogeniture, and perpetuities of different kinds, prevent the division of great estates, and thereby hinder the multiplication of small proprietors. A small proprietor, however, who knows every part of his little territory, who views it with all the affection which property, especially small property, naturally inspires, and who upon that account takes pleasure not only in cultivating, but in adorning it, is generally of all improvers the most industrious, the most intelligent, and the most successful. The same regulations, besides, keep so much land out of the market, that there are always more capitals to buy than there is land to sell, so that what is sold always sells at a monopoly price. The rent never pays the interest of the purchase money, and is, besides, burdened with repairs and other occasional charges, to which the interest of money is not liable. To purchase land is, everywhere in Europe, a most unprofitable employment of a small capital. For the sake of the superior security, indeed, a man of moderate circumstances, when he retires from business, will sometimes choose to lay out his little capital in land. A man of profession, too, whose revenue is derived from another source, often loves to secure his savings in the same way. But a young man, who, instead of applying to trade or to some profession, should employ a capital of two or three thousand pounds in the purchase and cultivation of a small piece of land, might indeed expect to live very happily and very independently, but must bid adieu for ever to all hope of either great fortune or great illustration, which, by a different employment of his stock, he might have had the same chance of acquiring with other people. Such a person, too, though he cannot aspire at being a proprietor, will often disdain to be a farmer. The small quantity of land, therefore, which is brought to market, and the high price of what is brought thither, prevents a great number of capitals from being employed in its cultivation and improvement, which would otherwise have taken that direction. In North America, on the contrary, fifty or sixty pounds is often found a sufficient stock to begin a plantation with. The purchase and improvement of uncultivated land is there the most profitable employment of the smallest as well as of the greatest capitals, and the most direct road to all the fortune and illustration which can be acquired in that country. Such land indeed, is, in North America, to be had almost for nothing, or at a price much below the value of the natural produce; a thing impossible in Europe, or indeed in any country where all lands have long been private property. If landed estates, however, were divided equally among all the children, upon the death of any proprietor who left a numerous family, the estate would generally be sold So much land would come to market, that it could no longer sell at a monopoly price. The free rent of the land would go nearer to pay the interest of the purchase-money, and a small capital might be employed in purchasing land as profitably as in any other way.[1]

England, on account of the natural fertility of the soil, of the great extent of the sea-

[1] No legitimate inference, with respect to what would have been the progress of Europe under a system different from that which obtained during the middle ages, can be drawn from observing what has taken place in America. Owing to the thinness of the aboriginal population, and their ignorance of the arts of civilised life, the American colonists had their choice of boundless tracts of fertile and unoccupied land. This circumstance was, of itself, almost sufficient to have insured their rapid progress; but their situation in most other respects was equally favourable. The colonists that England sent to America left a country far advanced in civilisation; they had been trained from infancy to habits of industry and subordination; they were practically acquainted with the best form of civil polity that had been established in the old world; and were placed in a situation that enabled them to obviate its defects, and to try every institution by the test of utility. America, too, has been enriched by the capital, as well as by the arts

coast in proportion to that of the whole country, and of the many navigable rivers which run through it, and afford the conveniency of water carriage to some of the most inland parts of it, is perhaps as well fitted by nature as any large country in Europe to be the seat of foreign commerce, of manufactures for distant sale, and of all the improvements which these can occasion. From the beginning of the reign of Elizabeth, too, the English legislature has been peculiarly attentive to the interests of commerce and manufactures, and in reality there is no country in Europe, Holland itself not excepted, of which the law is, upon the whole, more favourable to this sort of industry. Commerce and manufactures have accordingly been continually advancing during all this period. The cultivation and improvement of the country has, no doubt, been gradually advancing too: but it seems to have followed slowly, and at a distance, the more rapid progress of commerce and manufactures. The greater part of the country must probably have been cultivated before the reign of Elizabeth; and a very great part of it still remains uncultivated, and the cultivation of the far greater part much inferior to what it might be. The law of England, however, favours agriculture, not only indirectly by the protection of commerce, but by several direct encouragements. Except in times of scarcity, the exportation of corn is not only free, but encouraged by a bounty. In times of moderate plenty, the importation of foreign corn is loaded with duties that amount to a prohibition. The importation of live cattle, except from Ireland, is prohibited at all times, and it is but of late that it was permitted from thence. Those who cultivate the land, therefore, have a monopoly against their countrymen for the two greatest and most important articles of land produce, bread and butcher's meat. These encouragements, though at bottom, perhaps, as I shall endeavour to show hereafter, altogether illusory, sufficiently demonstrate at least the good intention of the legislature to favour agriculture. But what is of much more importance than all of them, the yeomanry of England are rendered as secure, as independent, and as respectable, as law can make them. No country, therefore, in which the right of primogeniture takes place, which pays tithes, and where perpetuities, though contrary to the spirit of the law, are admitted in some cases, can give more encouragement to agriculture than England Such, however, notwithstanding, is the state of its cultivation. What would it have been had the law given no direct encouragement to agriculture besides what arises indirectly from the progress of commerce, and had left the yeomanry in the same condition as in most other countries of Europe? It is now more than two hundred years since the beginning of the reign of Elizabeth,—a period as long as the course of human prosperity usually endures.

France seems to have had a considerable share of foreign commerce near a century before England was distinguished as a commercial country. The marine of France was considerable, according to the notions of the times, before the expedition of Charles VIII. to Naples. The cultivation and improvement of France, however, is, upon the whole, inferior to that of England. The law of the country has never given the same direct encouragement to agriculture.

The foreign commerce of Spain and Portugal to the other parts of Europe, though chiefly carried on in foreign ships, is very considerable. That to their colonies is carried on in their own, and is much greater, on account of the great riches and extent of those colonies. But it has never introduced any considerable manufactures for distant sale into either of those countries, and the greater part of both still remains uncultivated. The foreign commerce of Portugal is of older standing than that of any great country in Europe, except Italy.

Italy is the only great country of Europe which seems to have been cultivated and improved in every part, by means of foreign commerce and manufactures for distant sale. Before the invasion of Charles VIII., Italy, according to Guicciardini, was cultivated not less in the most mountainous and barren parts of the country, than in the plainest and most fertile. The advantageous situation of the country, and the great number of independent states which at that time subsisted in it, probably contributed not a little to this general cultivation. It is not impossible, too, notwithstanding this general expression of one of the most judicious and reserved of modern historians, that Italy was not at that time better cultivated than England is at present.

The capital, however, that is acquired to any country by commerce and manufactures, is all a very precarious and uncertain

and sciences of Europe. A vast amount of wealth has been transferred across the Atlantic, to be employed in countries where the facilities of accumulation are so very great; while the importation of manufactured goods from Europe has permitted the colonists to devote their principal attention to agriculture, — a pursuit in which the vast extent of their fertile and unoccupied land gave them a natural and decided advantage. It is plain, therefore, that, without some very powerful countervailing circumstances, the progress of America could not fail to be infinitely more rapid than that of Europe: and, though it must be admitted that some of our institutions have not been the most favourable that might have been devised for promoting the progress of civilisation, still the slowness of our advance, as compared with that of the Americans, affords hardly even a presumption, much less a proof, of their interiority.

possession, till some part of it has been secured and realised in the cultivation and improvement of its lands. A merchant, it has been said very properly, is not necessarily the citizen of any particular country. It is in a great measure indifferent to him from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and, together with it, all the industry which it supports, from one country to another. No part of it can be said to belong to any particular country, till it has been spread, as it were, over the face of that country, either in buildings, or in the lasting improvement of lands. No vestige now remains of the great wealth said to have been possessed by the greater part of the Hans towns, except in the obscure histories of the thirteenth and fourteenth centuries. It is even uncertain where some of them were situated, or to what towns in Europe the Latin names given to some of them belong. But though the misfortunes of Italy, in the end of the fifteenth and beginning of the sixteenth centuries, greatly diminished the commerce and manufactures of the cities of Lombardy and Tuscany, those countries still continue to be among the most populous and best cultivated in Europe. The civil wars of Flanders, and the Spanish government which succeeded them, chased away the great commerce of Antwerp, Ghent, and Bruges. But Flanders still continues to be one of the richest, best cultivated, and most populous provinces of Europe. The ordinary revolutions of war and government easily dry up the sources of that wealth which arises from commerce only. That which arises from the more solid improvements of agriculture is much more durable, and cannot be destroyed but by those more violent convulsions occasioned by the depredations of hostile and barbarous nations continued for a century or two together; such as those that happened for some time before and after the fall of the Roman empire in the western provinces of Europe.

BOOK IV.

OF SYSTEMS OF POLITICAL ECONOMY.

INTRODUCTION.

POLITICAL economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such a revenue or subsistence for themselves; and, secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.[1]

The different progress of opulence in different ages and nations, has given occasion to two different systems of political economy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as I can, and shall begin with the system of commerce. It is the modern system, and is best understood in our own country and in our own times.

CHAP. I.

Of the Principles of the Commercial or Mercantile System.

THAT wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first inquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth

[1] Political economy is now most commonly defined "the science of the laws which regulate the production, distribution, and consumption of those articles or products that have exchangeable value, and are, at the same time, necessary, useful, or agreeable to man." When thus understood, it obviously embraces most of the investigations into which Dr. Smith has entered in his "Inquiry into the Nature and Causes of the Wealth of Nations."

the conquering. Plano Carpino, a monk, sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says, that the Tartars used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France? Their inquiry had the same object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as, according to the Spaniards, it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Mr. Locke remarks a distinction between money and other moveable goods. All other moveable goods, he says, are of so consumable a nature, that the wealth which consists in them cannot be much depended on; and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the moveable wealth of a nation; and to multiply those metals ought, he thinks, upon that account, to be the great object of its political economy.

Others admit, that if a nation could be separated from all the world, it would be of no consequence how much or how little money circulated in it. The consumable goods, which were circulated by means of this money, would only be exchanged for a greater or a smaller number of pieces; but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

In consequence of these popular notions, all the different nations of Europe have studied, though to little purpose, every possible means of accumulating gold and silver in their respective countries. Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals, have either prohibited their exportation under the severest penalties, or subjected it to a considerable duty. The like prohibition seems anciently to have made a part of the policy of most other European nations. It is even to be found, where we should least of all expect to find it, in some old Scotch acts of parliament, which forbid, under heavy penalties, the carrying gold or silver *forth of the kingdom*. The like policy anciently took place both in France and England.

When those countries became commercial, the merchants found this prohibition, upon many occasions, extremely inconvenient. They could frequently buy more advantageously with gold and silver, than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to some other foreign country. They remonstrated, therefore, against this prohibition as hurtful to trade.

They represented, first, that the exportation of gold and silver, in order to purchase foreign goods, did not always diminish the quantity of those metals in the kingdom. That, on the contrary, it might frequently increase the quantity; because, if the consumption of foreign goods was not thereby increased in the country, those goods might be re-exported to foreign countries, and, being there sold for a large profit, might bring back much more treasure than was originally sent out to purchase them. Mr. Mun compares this operation of foreign trade to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."

They represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled abroad. That this exportation could only be prevented by a proper attention to what they called the balance of trade.[1] That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value

[1] The reader will find, in the Introductory Discourse, sect. 1. an account of the circumstances which led the merchants to complain of the restrictions on the exportation of the precious metals, and gave rise to the notions with respect to the balance of trade.

than it exported, a contrary balance became due to foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity. That in this case to prohibit the exportation of those metals could not prevent it, but only, by making it more dangerous, render it more expensive. That the exchange was thereby turned more against the country which owed the balance than it otherwise might have been; the merchant who purchased a bill upon the foreign country being obliged to pay the banker who sold it, not only for the natural risk, trouble, and expense of sending the money thither, but for the extraordinary risk arising from the prohibition. But that the more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming necessarily of so much less value, in comparison with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent. against England, it would require a hundred and five ounces of silver in England to purchase a bill for a hundred ounces of silver in Holland: that a hundred and five ounces of silver in England, therefore, would be worth only a hundred ounces of silver in Holland, and would purchase only a proportionable quantity of Dutch goods: but that a hundred ounces of silver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchase a proportionable quantity of English goods: that the English goods which were sold to Holland would be sold so much cheaper, and the Dutch goods which were sold to England, so much dearer, by the difference of the exchange: that the one would draw so much less Dutch money to England, and the other so much more English money to Holland, as this difference amounted to: and that the balance of trade, therefore, would necessarily be so much more against England, and would require a greater balance of gold and silver to be exported to Holland.

Those arguments were partly solid and partly sophistical. They were solid, so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid, too, in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical, in supposing, that either to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity. They were sophistical too, perhaps, in asserting that the high price of exchange necessarily increased what they called the unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver. That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay in foreign countries. They paid so much dearer for the bills which their bankers granted them upon those countries. But though the risk arising from the prohibition might occasion some extraordinary expense to the bankers, it would not necessarily carry any more money out of the country. This expense would generally be all laid out in the country, in smuggling the money out of it, and could seldom occasion the exportation of a single sixpence beyond the precise sum drawn for. The high price of exchange, too, would naturally dispose the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as small a sum as possible. The high price of exchange, besides, must necessarily have operated as a tax, in raising the price of foreign goods, and thereby diminishing their consumption. It would tend, therefore, not to increase, but to diminish, what they called the unfavourable balance of trade, and consequently the exportation of gold and silver.

Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments and to the councils of princes, to nobles and to country gentlemen; by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner none of them well knew. The merchants knew perfectly in what manner it enriched themselves; it was their business to know it: but to know in what manner it enriched the country, was no part of their business. The subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments, therefore, produced the wished-for effect. The prohibition of exporting gold and silver

was, in France and England, confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free. In Holland and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care, it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, England's Treasure in Foreign Trade, became a fundamental maxim in the political economy, not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the trade in which an equal capital affords the greatest revenue[1], and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it. The country, therefore, could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade.

A country that has no mines of its own, must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. It does not seem necessary, however, that the attention of government should be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price, like all other commodities, and as they are the price of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for; and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities, or in other uses.

The quantity of every commodity which human industry can either purchase or produce, naturally regulates itself in every country according to the effectual demand, or according to the demand of those who are willing to pay the whole rent, labour, and profits which must be paid in order to prepare and bring it to market. But no commodities regulate themselves more easily or more exactly according to this effectual demand, than gold and silver; because, on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap to those where they are dear; from the places where they exceed, to those where they fall short of this effectual demand. If there were in England, for example, an effectual demand for an additional quantity of gold, a packet-boat could bring from Lisbon, or from wherever else it was to be had, fifty tuns of gold, which could be coined into more than five millions of guineas. But if there were an effectual demand for grain to the same value, to import it would require, at five guineas a tun, a million of tuns of shipping, or a thousand ships of a thousand tuns each. The navy of England would not be sufficient.

When the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal are not able to keep their gold and silver at home. The continual importations from Peru and Brazil exceed the effectual demand of those countries, and sink the price of those metals there below that in the neighbouring countries. If, on the contrary, in any particular country, their quantity fell short of the effectual demand, so as to raise their price above that of the neighbouring countries, the government would have no occasion to take any pains to import them. If it were even to take pains to prevent their importation, it would not be able to effectuate it. Those metals, when the Spartans had got wherewithal to purchase them, broke through all the barriers which the laws of Lycurgus opposed to their entrance into Lacedemon. All the sanguinary laws of the customs are not able to prevent the importation of the teas of the Dutch and Gottenburgh East India companies, because somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver, and more than two thousand times the bulk of the same price in gold, and consequently just so many times more difficult to smuggle.

It is partly owing to the easy transportation of gold and silver from the places where they abound to those where they are wanted, that the price of those metals does not fluctuate continually, like that of the greater part of other commodities, which are hindered by their bulk from shifting their situ-

[1] Not the greatest nett revenue, which is the real standard by which the comparative advantageousness of different employments is to be estimated. See note, *antè*, p. 159.

ation, when the market happens to be either over or under-stocked with them. The price of those metals, indeed, is not altogether exempted from variation; but the changes to which it is liable are generally slow, gradual, and uniform. In Europe, for example, it is supposed, without much foundation perhaps, that during the course of the present and preceding century they have been constantly, but gradually, sinking in their value, on account of the continual importations from the Spanish West Indies. But to make any sudden change in the price of gold and silver so as to raise or lower at once, sensibly and remarkably, the money price of all other commodities, requires such a revolution in commerce as that occasioned by the discovery of America.

If, notwithstanding all this, gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place than that of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconveniency. Buying and selling upon credit, and the different dealers compensating their credits with one another once a month or once a year, will supply it with less inconveniency. A well-regulated paper money will supply it not only without any inconveniency, but, in some cases, with some advantages. Upon every account, therefore, the attention of government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country.

No complaint, however, is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it. Those who have either, will seldom be in want either of the money or of the wine which they have occasion for. This complaint, however, of the scarcity of money is not always confined to improvident spendthrifts. It is sometimes general through a whole mercantile town and the country in its neighbourhood. Over-trading is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals whose expense has been disproportioned to their revenue. Before their projects can be brought to bear, their stock is gone, and their credit with it. They run about everywhere to borrow money, and every body tells them that they have none to lend. Even such general complaints of the scarcity of money do not always prove that the usual number of gold and silver pieces are not circulating in the country, but that many people want those pieces who have nothing to give for them. When the profits of trade happen to be greater than ordinary, over-trading becomes a general error both among great and small dealers.[1] They do not always send more money abroad than usual, but they buy upon credit, both at home and abroad, an unusual quantity of goods, which they send to some distant market, in hopes that the returns will come in before the demand for payment. The demand comes before the returns, and they have nothing at hand with which they can either purchase money, or give solid security for borrowing. It is not any scarcity of gold and silver, but the difficulty which such people find in borrowing, and which their creditors find in getting payment, that occasions the general complaint of the scarcity of money.

It would be too ridiculous to go about seriously to prove, that wealth does not consist in money, or in gold and silver, but in what money purchases, and is valuable only for purchasing. Money, no doubt, makes always a part of the national capital; but it has already been shown that it generally makes but a small part, and always the most unprofitable part of it.

It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money than to buy money with goods; but because money is the known and established instrument of commerce, for which every thing is readily given in exchange, but which is not always with equal readiness to be got in exchange for every thing. The greater part of goods, besides, are more perishable than money, and he may frequently sustain a much greater loss by keeping them. When his goods are upon hand, too, he is more liable to such demands for money as he may not be able to answer, than when he has got their price in his coffers. Over and above all this, his profit arises more directly from selling than from buying; and he is, upon all these accounts, generally much more anxious to exchange his goods for money than his money for goods. But though a particular merchant, with abundance of goods in his warehouse, may sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the same accident. The whole capital of a merchant frequently consists in perishable goods destined for purchasing money. But it is but a very small part of the annual produce of the land and labour of a country which can ever be destined for purchasing gold and silver from

[1] For an account of the circumstances which occasion over-trading, see the supplemental note on Commercial Revulsions.

their neighbours. The far greater part is circulated and consumed among themselves; and even of the surplus which is sent abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold and silver, therefore, could not be had in exchange for the goods destined to purchase them, the nation would not be ruined. It might, indeed, suffer some loss and inconveniency, and be forced upon some of those expedients which are necessary for supplying the place of money. The annual produce of its land and labour, however, would be the same, or very nearly the same, as usual; because the same, or very nearly the same, consumable capital would be employed in maintaining it. And though goods do not always draw money so readily as money draws goods, in the long run they draw it more necessarily than even it draws them. Goods can serve many other purposes besides purchasing money; but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again. The one may frequently have done the whole, but the other can never have done more than the one-half of his business. It is not for its own sake that men desire money, but for the sake of what they can purchase with it.

Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a more durable nature, and were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the country. Nothing, therefore, it is pretended, can be more disadvantageous to any country, than the trade which consists in the exchange of such lasting for such perishable commodities. We do not, however, reckon that trade disadvantageous which consists in the exchange of the hardware of England for the wines of France; and yet hardware is a very durable commodity, and were it not for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs, that the number of such utensils is in every country necessarily limited by the use which there is for them; that it would be absurd to have more pots and pans than were necessary for cooking the victuals usually consumed there; and that if the quantity of victuals were to increase, the number of pots and pans would readily increase along with it, a part of the increased quantity of victuals being employed in purchasing them, or in maintaining an additional number of workmen, whose business it was to make them. It should as readily occur, that the quantity of gold and silver is in every country limited by the use which there is for those metals; that their use consists in circulating commodities as coin, and in affording a species of household furniture as plate; that the quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it: increase that value, and immediately a part of it will be sent abroad to purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them: that the quantity of plate is regulated by the number and wealth of those private families who choose to indulge themselves in that sort of magnificence: increase the number and wealth of such families, and a part of this increased wealth will, most probably, be employed in purchasing, wherever it is to be found, an additional quantity of plate. that to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families by obliging them to keep an unnecessary number of kitchen utensils. As the expense of purchasing those unnecessary utensils would diminish, instead of increasing, either the quantity or goodness of the family provisions, so the expense of purchasing an unnecessary quantity of gold and silver must, in every country, as necessarily diminish the wealth which feeds, clothes, and lodges, which maintains and employs the people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be remembered, as much as the furniture of the kitchen. Increase the use for them, increase the consumable commodities which are to be circulated, managed, and prepared by means of them, and you will infallibly increase the quantity; but if you attempt by extraordinary means to increase the quantity, you will as infallibly diminish the use, and even the quantity too, which in those metals can never be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

It is not always necessary to accumulate gold and silver in order to enable a country to carry on foreign wars, and to maintain fleets and armies in distant countries. Fleets and armies are maintained, not with gold and silver, but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, labour and con-

sumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there.

A nation may purchase the pay and provisions of an army in a distant country three different ways: by sending abroad either, first, some part of its accumulated gold and silver, or, secondly, some part of the annual produce of its manufactures; or, last of all, some part of its annual rude produce.

The gold and silver which can properly be considered as accumulated or stored up in any country, may be distinguished into three parts: first, the circulating money; secondly, the plate of private families; and, last of all, the money which may have been collected by many years' parsimony, and laid up in the treasury of the prince.

It can seldom happen that much can be spared from the circulating money of the country; because in that there can seldom be much redundancy. The value of goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the case of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and less money becomes necessary to circulate them. An extraordinary quantity of paper money of some sort or other, too, such as exchequer notes, navy bills, and bank bills in England, is generally issued upon such occasions, and, by supplying the place of circulating gold and silver, gives an opportunity of sending a greater quantity of it abroad. All this, however, could afford but a poor resource for maintaining a foreign war, of great expense and several years' duration.

The melting down the plate of private families has, upon every occasion, been found a still more insignificant one. The French, in the beginning of the last war, did not derive so much advantage from this expedient as to compensate the loss of the fashion.

The accumulated treasures of the prince have, in former times, afforded a much greater and more lasting resource. In the present times, if you except the king of Prussia, to accumulate treasure seems to be no part of the policy of European princes.

The funds which maintained the foreign wars of the present century, the most expensive perhaps which history records, seem to have had little dependency upon the exportation either of the circulating money, or of the plate of private families, or of the treasure of the prince. The last French war cost Great Britain upwards of ninety millions including not only the seventy-five millions of new debt that was contracted, but the additional two shillings in the pound land-tax, and what was annually borrowed of the sinking fund. More than two-thirds of this expense were laid out in distant countries; in Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies. The kings of England had no accumulated treasure. We never heard of any extraordinary quantity of plate being melted down. The circulating gold and silver of the country had not been supposed to exceed eighteen millions. Since the late recoinage of the gold, however, it is believed to have been a good deal under-rated. Let us suppose, therefore, according to the most exaggerated computation which I remember to have either seen or heard of, that, gold and silver together, it amounted to thirty millions. Had the war been carried on by means of our money, the whole of it must, even according to this computation, have been sent out and returned again at least twice, in a period of between six and seven years. Should this be supposed, it would afford the most decisive argument to demonstrate how unnecessary it is for government to watch over the preservation of money, since, upon this supposition, the whole money of the country must have gone from it and returned to it again, two different times in so short a period, without any body's knowing any thing of the matter. The channel of circulation, however, never appeared more empty than usual during any part of this period. Few people wanted money who had wherewithal to pay for it. The profits of foreign trade, indeed, were greater than usual during the whole war, but especially towards the end of it. This occasioned, what it always occasions, a general over-trading in all the ports of Great Britain; and this again occasioned the usual complaint of the scarcity of money, which always follows over-trading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because the debtors found it difficult to borrow, the creditors found it difficult to get payment. Gold and silver, however, were generally to be had for their value, by those who had that value to give for them.

The enormous expense of the late war, therefore, must have been chiefly defrayed, not by the exportation of gold and silver, but by that of British commodities of some kind or other. When the government, or those who acted under them, contracted with a merchant for a remittance to some foreign country, he would naturally endeavour to pay his foreign correspondent, upon whom he had granted a bill, by sending abroad rather commodities than gold and silver. If the commodities of Great Britain were not

in demand in that country, he would endeavour to send them to some other country, in which he could purchase a bill upon that country. The transportation of commodities, when properly suited to the market, is always attended with a considerable profit; whereas that of gold and silver is scarce ever attended with any. When those metals are sent abroad in order to purchase foreign commodities, the merchant's profit arises, not from the purchase, but from the sale of the returns. But when they are sent abroad merely to pay a debt, he gets no returns, and consequently no profit. He naturally, therefore, exerts his invention to find out a way of paying his foreign debts, rather by the exportation of commodities than by that of gold and silver. The great quantity of British goods exported during the course of the late war, without bringing back any returns, is accordingly remarked by the author of the Present State of the Nation.

Besides the three sorts of gold and silver above mentioned, there is in all great commercial countries a good deal of bullion alternately imported and exported, for the purposes of foreign trade. This bullion, as it circulates among different commercial countries in the same manner as the national coin circulates in every particular country, may be considered as the money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country; the money of the mercantile republic from those circulated between different countries. Both are employed in facilitating exchanges: the one between different individuals of the same, the other between those of different nations. Part of this money of the great mercantile republic may have been, and probably was, employed in carrying on the late war. In time of a general war, it is natural to suppose that a movement and direction should be impressed upon it, different from what it usually follows in profound peace; that it should circulate more about the seat of the war, and be more employed in purchasing there, and in the neighbouring countries, the pay and provisions of the different armies. But whatever part of this money of the mercantile republic Great Britain may have annually employed in this manner, it must have been annually purchased, either with British commodities, or with something else that had been purchased with them; which still brings us back to commodities, to the annual produce of the land and labour of the country, as the ultimate resources which enabled us to carry on the war. It is natural indeed to suppose, that so great an annual expense must have been defrayed from a great annual produce. The expense of 1761, for example, amounted to more than nineteen millions. No accumulation could have supported so great an annual profusion. There is no annual produce, even of gold and silver, which could have supported it. The whole gold and silver annually imported into both Spain and Portugal, according to the best accounts, does not commonly much exceed six millions sterling[1], which, in some years, would scarce have paid four months' expense of the late war.[2]

The commodities most proper for being transported to distant countries, in order to purchase there either the pay and provisions of an army, or some part of the money of the mercantile republic to be employed in purchasing them, seem to be the finer and more improved manufactures; such as contain a great value in a small bulk, and can therefore be exported to a great distance at little expense. A country whose industry produces a great annual surplus of such manufactures, which are usually exported to foreign countries, may carry on for many years a very expensive foreign war, without either exporting any considerable quantity of gold and silver, or even having any such quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in this case, be exported without bringing back any returns to the country, though it does to the merchant; the government purchasing of the merchant his bills upon foreign countries, in order to purchase there the pay and provisions of an army. Some part of this surplus, however, may still continue to bring back a return. The manufacturers, during the war, will have a double

[1] See *ante*, p. 96. note.

[2] It *appears from the official statements* printed by order of the House of Commons, that the expenses incurred by this country on account of the armies in the Peninsula in 1812 and 1813, amounted to 31,767,000*l.*, of which only 3,284,000*l.* were remitted in coin and bullion: and it may be doubted whether the remittances in specie would have been so great, had it not been for the reduction of its value caused by the great additional quantities of bank paper that were then thrown into circulation. When a foreign debt has to be discharged, the merchant naturally selects those commodities for exportation by which it may be most advantageously paid. If bullion be one of them, it will of course be exported; but if otherwise, not. Bullion, however, is of all commodities that of which the value approaches nearest to an equality in different countries; and it is therefore the least likely to be exported to pay a foreign balance. The demand for bullion is comparatively steady; and if, on the one hand, an unusual quantity were imported into one country, it would reduce its value, and cause its efflux; while, on the other hand, if an unusual supply of bullion were exported, it would raise its value, and occasion its influx. In point of fact, bullion is never exported to destroy, but always to find its level. The operations of the merchants who deal in it are chiefly confined to the distribution of the fresh supplies annually dug from the mines. Its price is too invariable, or, which is the same thing, its supply and demand are too constant, to admit of its becoming a favourite object of speculative demand, or of its being either imported into or exported from particular countries in much larger quantities at one time than another

demand upon them, and be called upon, first, to work up goods to be sent abroad, for paying the bills drawn upon foreign countries for the pay and provisions of the army; and, secondly, to work up such as are necessary for purchasing the common returns that had usually been consumed in the country. In the midst of the most destructive foreign war, therefore, the greater part of manufactures may frequently flourish greatly; and, on the contrary, they may decline on the return of peace. They may flourish amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different state of many different branches of the British manufactures during the late war, and for some time after the peace, may serve as an illustration of what has been just now said.

No foreign war of great expense or duration could conveniently be carried on by the exportation of the rude produce of the soil. The expense of sending such a quantity of it into a foreign country as might purchase the pay and provisions of an army, would be too great. Few countries, too, produce much more rude produce than what is sufficient for the subsistence of their own inhabitants. To send abroad any great quantity of it, therefore, would be to send abroad a part of the necessary subsistence of the people. It is otherwise with the exportation of manufactures. The maintenance of the people employed in them is kept at home, and only the surplus part of their work is exported. Mr. Hume frequently takes notice of the inability of the ancient kings of England to carry on, without interruption, any foreign war of long duration. The English in those days had nothing wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive. This inability did not arise from the want of money, but of the finer and more improved manufactures. Buying and selling was transacted by means of money in England then as well as now. The quantity of circulating money must have borne the same proportion to the number and value of purchases and sales usually transacted at that time, which it does to those transacted at present; or rather, it must have borne a greater proportion, because there was then no paper, which now occupies a great part of the employment of gold and silver. Among nations to whom commerce and manufactures are little known, the sovereign, upon extraordinary occasions, can seldom draw any considerable aid from his subjects, for reasons which shall be explained hereafter. It is in such countries, therefore, that he generally endeavours to accumulate a treasure, as the only resource against such emergencies. Independent of this necessity, he is, in such a situation, naturally disposed to the parsimony requisite for accumulation. In that simple state, the expense even of a sovereign is not directed by the vanity which delights in the gaudy finery of a court, but is employed in bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance; though vanity almost always does. Every Tartar chief, accordingly, has a treasure. The treasures of Mazeppa, chief of the Cossacs in the Ukraine, the famous ally of Charles the Twelfth, are said to have been very great. The French kings of the Merovingian race had all treasures. When they divided their kingdom among their different children, they divided their treasures too. The Saxon princes, and the first kings after the Conquest, seem likewise to have accumulated treasures. The first exploit of every new reign, was commonly to seize the treasure of the preceding king, as the most essential measure for securing the succession. The sovereigns of improved and commercial countries are not under the same necessity of accumulating treasures, because they can generally draw from their subjects extraordinary aids upon extraordinary occasions. They are likewise less disposed to do so. They naturally, perhaps necessarily, follow the mode of the times, and their expense comes to be regulated by the same extravagant vanity which directs that of all the other great proprietors in their dominions. The insignificant pageantry of their court becomes every day more brilliant, and the expense of it not only prevents accumulation, but frequently encroaches upon the funds destined for more necessary expenses. What Dercyllidas said of the court of Persia, may be applied to that of several European princes, that he saw there much splendour, but little strength, and many servants, but few soldiers.

The importation of gold and silver is not the principal, much less the sole, benefit which a nation derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return for it something else for which there is a demand. It gives a value to their superfluities, by exchanging them for something else, which may satisfy a part of their wants and increase their enjoyments. By means of it, the narrowness of the home market does not hinder the division of labour in any particular branch of art or manufacture from being

carried to the highest perfection. By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase the real revenue and wealth of the society. These great and important services foreign trade is continually occupied in performing to all the different countries between which it is carried on. They all derive great benefit from it, though that in which the merchant resides generally derives the greatest as he is generally more employed in supplying the wants, and carrying out the superfluities of his own, than of any other particular country. To import the gold and silver which may be wanted into the countries which have no mines, is, no doubt, a part of the business of foreign commerce. It is, however, a most insignificant part of it. A country which carried on foreign trade merely upon this account, could scarce have occasion to freight a ship in a century.

It is not by the importation of gold and silver that the discovery of America has enriched Europe. By the abundance of the American mines, those metals have become cheaper. A service of plate can now be purchased for about a third part of the corn, or a third part of the labour, which it would have cost in the fifteenth century. With the same annual expense of labour and commodities, Europe can annually purchase about three times the quantity of plate which it could have purchased at that time. But when a commodity comes to be sold for a third part of what had been its usual price, not only those who purchased it before can purchase three times their former quantity, but it is brought down to the level of a much greater number of purchasers, perhaps to more than ten, perhaps to more than twenty times the former number. So that there may be in Europe at present, not only more than three times, but more than twenty or thirty times the quantity of plate which would have been in it, even in its present state of improvement, had the discovery of the American mines never been made. So far Europe has, no doubt, gained a real conveniency, though surely a very trifling one. The cheapness of gold and silver renders those metals rather less fit for the purposes of money than they were before. In order to make the same purchases, we must load ourselves with a greater quantity of them, and carry about a shilling in our pocket where a groat would have done before. It is difficult to say which is most trifling — this inconveniency, or the opposite conveniency. Neither the one nor the other could have made any very essential change in the state of Europe. The discovery of America, however, certainly made a most essential one. By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of art, which, in the narrow circle of the ancient commerce, could never have taken place, for want of a market to take off the greater part of their produce. The productive powers of labour were improved, and its produce increased in all the different countries of Europe, and together with it the real revenue and wealth of the inhabitants. The commodities of Europe were almost all new to America, and many of those of America were new to Europe. A new set of exchanges, therefore, began to take place, which had never been thought of before, and which should naturally have proved as advantageous to the new, as it certainly did to the old continent. The savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries.

The discovery of a passage to the East Indies by the Cape of Good Hope, which happened much about the same time, opened perhaps a still more extensive range to foreign commerce than even that of America, notwithstanding the greater distance. There were but two nations in America in any respect superior to savages, and these were destroyed almost as soon as discovered. The rest were mere savages. But the empires of China, Indostan, Japan, as well as several others in the East Indies, without having richer mines of gold or silver, were, in every other respect, much richer, better cultivated, and more advanced in all arts and manufactures, than either Mexico or Peru, even though we should credit, what plainly deserves no credit, the exaggerated accounts of the Spanish writers concerning the ancient state of those empires. But rich and civilised nations can always exchange to a much greater value with one another than with savages and barbarians. Europe, however, has hitherto derived much less advantage from its commerce with the East Indies than from that with America. The Portuguese monopolised the East India trade to themselves for about a century; and it was only indirectly, and through them, that the other nations of Europe could either send out or receive any goods from that country. When the Dutch, in the beginning of the last century, began to encroach upon them, they vested their whole East India commerce in an exclusive company. The English, French, Swedes, and Danes, have all followed their example; so that no great nation in Europe has ever yet had the benefit of a free commerce to the East Indies. No other reason need be assigned why it has never been so advantageous as the trade to America.

which, between almost every nation of Europe and its own colonies, is free to all its subjects. The exclusive privileges of those East India companies, their great riches, the great favour and protection which these have procured them from their respective governments, have excited much envy against them. This envy has frequently represented their trade as altogether pernicious, on account of the great quantities of silver which it every year exports from the countries from which it is carried on. The parties concerned have replied, that their trade, by this continual exportation of silver, might indeed tend to impoverish Europe in general, but not the particular country from which it was carried on; because, by the exportation of a part of the returns to other European countries, it annually brought home a much greater quantity of that metal than it carried out. Both the objection and the reply are founded in the popular notion which I have been just now examining. It is therefore unnecessary to say any thing further about either. By the annual exportation of silver to the East Indies, plate is probably somewhat dearer in Europe than it otherwise might have been; and coined silver probably purchases a larger quantity both of labour and commodities. The former of these two effects is a very small loss, the latter a very small advantage; both too insignificant to deserve any part of the public attention. The trade to the East Indies, by opening a market to the commodities of Europe, or, what comes nearly to the same thing, to the gold and silver which is purchased with those commodities, must necessarily tend to increase the annual production of European commodities, and consequently the real wealth and revenue of Europe. That it has hitherto increased them so little, is probably owing to the restraints which it every where labours under.

I thought it necessary, though at the hazard of being tedious, to examine at full length this popular notion, that wealth consists in money, or in gold and silver. Money, in common language, as I have already observed, frequently signifies wealth; and this ambiguity of expression has rendered this popular notion so familiar to us, that even they who are convinced of its absurdity are very apt to forget their own principles, and, in the course of their reasonings, to take it for granted as a certain and undeniable truth. Some of the best English writers upon commerce set out with observing, that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the lands, houses, and consumable goods, seem to slip out of their memory; and the strain of their argument frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the great object of national industry and commerce.

The two principles being established, however, that wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines, only by the balance of trade, or by exporting to a greater value than it imported, it necessarily became the great object of political economy to diminish as much as possible the importation of foreign goods for home consumption, and to increase as much as possible the exportation of the produce of domestic industry. Its two great engines for enriching the country, therefore, were restraints upon importation, and encouragement to exportation.

The restraints upon importation were of two kinds: —

First, Restraints upon the importation of such foreign goods for home consumption as could be produced at home, from whatever country they were imported.

Secondly, Restraints upon the importation of goods of almost all kinds from those particular countries with which the balance of trade was supposed to be disadvantageous.

Those different restraints consisted sometimes in high duties, and sometimes in absolute prohibitions.

Exportation was encouraged, sometimes by drawbacks, sometimes by bounties, sometimes by advantageous treaties of commerce with foreign states, and sometimes by the establishment of colonies in distant countries.

Drawbacks were given upon two different occasions. When the home manufactures were subject to any duty or excise, either the whole or a part of it was frequently drawn back upon their exportation; and when foreign goods liable to a duty were imported, in order to be exported again, either the whole or a part of this duty was sometimes given back upon such exportation.

Bounties were given for the encouragement either of some beginning manufactures, or of such sorts of industry of other kinds as were supposed to deserve particular favour.

By advantageous treaties of commerce, particular privileges were procured in some foreign state for the goods and merchants of the country, beyond what were granted to those of other countries.

By the establishment of colonies in distant countries, not only particular privileges, but a monopoly was frequently procured for the goods and merchants of the country which established them.

The two sorts of restraints upon importation above mentioned, together with these four encouragements to exportation, constitute the six principal means by which the commercial system proposes to increase the quantity of gold and silver in any country,

by turning the balance of trade in its favour. I shall consider each of them in a particular chapter, and, without taking much further notice of their supposed tendency to bring money into the country, I shall examine chiefly what are likely to be the effects of each of them upon the annual produce of its industry. According as they tend either to increase or diminish the value of this annual produce, they must evidently tend either to increase or diminish the real wealth and revenue of the country.

CHAP. II.

Of Restraints upon the importation from Foreign Countries of such Goods as can be produced at home.

By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. Thus the prohibition of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. The high duties upon the importation of corn, which, in times of moderate plenty, amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollens is equally favourable to the woollen manufactures. The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage. The linen manufacture has not yet obtained it, but is making great strides towards it. Many other sorts of manufacturers, have, in the same manner, obtained in Great Britain, either altogether or very nearly, a monopoly against their countrymen. The variety of goods, of which the importation into Great Britain is prohibited, either absolutely or under certain circumstances, greatly exceeds what can easily be suspected by those are not well acquainted with the laws of the Customs.[1]

That this monopoly of the home market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not perhaps altogether so evident.

The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

First, Every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry; provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary, profits of stock.

Thus, upon equal, or nearly equal, profits, every wholesale merchant naturally prefers the home trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade.[2] In the home trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts; and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress.

1 In this matter an extraordinary change has taken place of late years. In 1820, the merchants of London presented a petition to parliament in favour of free trade (see Supplementary Notes); and some considerable changes in the restrictive system were soon after effected by Mr. Huskisson. But it was reserved for Sir Robert Peel to carry out to its fullest extent the liberal policy recommended by Smith. Besides repealing the duties on a vast variety of unimportant articles, he repealed those on wool, raw silk, and other articles employed in manufactures, and on corn, the prime article of subsistence; and he imposed reasonable duties, of 10 per cent. on woollen goods, 15 per cent. on silk, &c., and so forth, on articles that had previously been prohibited. But in this respect we have gone from one extreme to another. Latterly we have not tried to modify or improve the customs duties, but to abolish them. And we have elsewhere shown that this is both dangerous and inexpedient. See Treatise on Taxation, 3rd ed., pp. 228-234.

2 Upon equal, or nearly equal, gross profits this is the case. But when the nett profits of different businesses are equal, it is immaterial to capitalists whether they invest their stock in the home trade, or the carrying trade, and it is also immaterial to the public.

In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries; and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konnigsberg to Lisbon, and fruit and wine from Lisbon to Konnigsberg, must generally be the one half of it at Konnigsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Konnigsberg or Lisbon, and it can only be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konnigsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which he destines for that of Konnigsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet, for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the home market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal, or nearly equal, profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home trade. Home is in this manner the centre, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments. But a capital employed in the home trade, it has already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade.[1] Upon equal, or only nearly equal, profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country.

Secondly, Every individual who employs his capital in the support of domestic industry, necessarily endeavours so to direct that industry, that its produce may be of the greatest possible value.

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him.

[1] See *ante*, p. 189.

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or, what is the same thing, with the price of a part of it, whatever else they have occasion for.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers, but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home, it could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue; and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been augmented with the greatest possible rapidity.

The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment thirty

times more of the capital and industry of the country, than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three-hundredth part more of either. Whether the advantages which one country has over another be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter rather to buy of the former than to make. It is an acquired advantage only, which one artificer has over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market.[1] The prohibition of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition, are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures were permitted, several of the home manufactures would, probably, suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them would be forced to find out some other employment.[2] But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

If the importation of foreign cattle, for example, were made ever so free, so few could be imported, that the grazing trade of Great Britain could be little affected by it.

[1] The advantage they derive from the monopoly is but inconsiderable. Competition being always free among the home producers, the exclusion of any particular variety of foreign manufactured goods cannot elevate the profits of those who produce similar articles at home above the common level, and merely attracts as much additional capital to the particular business, as may be required to furnish an adequate supply of goods. It has never been contended, that the businesses deepest entrenched behind ramparts of prohibitions and restrictions, are in any respect more lucrative than those that are exposed to the freest competition. It is obvious, *too*, that there are no means of extending such businesses beyond what may be required for the supply of the domestic consumer; for those who can produce the same commodities at less expense, are sure to obtain the entire command of the foreign market.

[2] We observed, in reference to this subject in the impression of this work issued in 1838, that "There are good grounds for thinking that the loss and inconvenience that always follow the exchange of an exclusive for a free commercial system, have been very greatly exaggerated. The individuals engaged in those branches of manufacturing industry in Great Britain, that could not be carried on were an unrestrained foreign competition allowed, form but an inconsiderable portion of our manufacturing population; and as they only derive any advantage from the restrictive system, they only would sustain any injury from its abolition.

"The value of the manufactured goo is annually produced in Great Britain has been estimated at about 125 millions sterling, inc. the raw material. But linen and silk are the only manufactures that could be at all seriously affected by the freest intercourse with other countries; and the aggregate value of both these branches, inclusive of the raw material, does not probably exceed 18 or 20 millions, or from a sixth to a seventh part of our whole manufactures; and cannot, therefore, be supposed to afford employment to more than a corresponding portion of our manufacturing population.

"In point of fact, however, the free importation of foreign linens and silks would only supersede a very small part of these manufactures. There is no reason for supposing that any of the principal branches of the linen manufacture would be materially injured by the gradual reduction of the existing duties on the importation of linens. And although the French excel in the manufacture of lighter silk fabrics, we are superior or at least equal to them in the manufacture of gloves and hosiery, and in that of poplins, and all those mixed fabrics of which silk is the basis; and we are also rivalling them in the brightness of our colours, and the durability of our dyes. It has been a common practice to insure the safe delivery of French silks in any part of London for from 10 to 15 per cent. premium; so that it was not, as commonly supposed, so much, perhaps, to prohibitory regulations as to our own ingenuity, that our silk manufacturers were indebted for that monopoly of the market they so long enjoyed. But their supposed dependence on customs regulations made them indifferent to improvements; and to such an extent did this operate, that they were decidedly inferior, even in respect of machinery, to either the French or Germans. Mr. Huskisson had sagacity to perceive the cause of this inferiority, and courage to undertake the introduction of a new system. In 1825 he reduced the duties on raw silk to a nearly nominal amount, and materially diminished those on thrown or organzined silk; while, at the same time, the prohibition of foreign silk goods was repealed, and they were allowed to be entered for home consumption, on paying an import duty of 30 per cent. *ad valorem*. This change of system was violently opposed, and many predicted that it would ruin the manufacture. But these sinister auguries proved to be wholly fallacious. The measure, in fact, was signally successful. The manufacturers, no longer depending on custom-house regulations, put forth all their energies; and, having called the various resources of science and ingenuity to their aid, the manufacture was more improved and extended during the dozen years ending with 1837, than it had been during the previous century."

The duty of 30 per cent. on imported silks being so high as to give a considerable stimulus to smuggling, was reduced by Sir Robert Peel to 15 per cent., at which, or 10 per cent., it should have continued. It was, however, wholly repealed in 1860, under a clause of the French treaty of that year. The duties on foreign linens are now also wholly repealed. And yet these manufactures are (1863) in a flourishing condition, and are far more extensive than at any former period.

Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land. By land they carry themselves to market. By sea, not only the cattle, but their food and their water too, must be carried at no small expense and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no considerable effect upon the interest of the graziers of Great Britain.[1] Those parts of Great Britain which border upon the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expense and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove so far. Lean cattle, therefore, only could be imported; and such importation could interfere, not with the interest of the feeding or fattening countries, to which, by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

Feeding and fattening countries, besides, must always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty against improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is said to follow this maxim at present. The mountains of Scotland, Wales, and Northumberland, indeed, are countries not capable of much improvement, and seem destined by nature to be the breeding countries of Great Britain. The freest importation of foreign cattle could have no other effect than to hinder those breeding countries from taking advantage of the increasing population and improvement of the rest of the kingdom, from raising their price to an exorbitant height, and from laying a real tax upon all the more improved and cultivated parts of the country.

The freest importation of salt provisions, in the same manner, could have as little effect upon the interest of the graziers of Great Britain as that of live cattle. Salt provisions are not only a very bulky commodity, but when compared with fresh meat, they are a commodity both of worse quality, and as they cost more labour and expense, of higher price. They could never, therefore, come into competition with the fresh meat, though they might with the salt provisions of the country. They might be used for victualling ships for distant voyages, and such like uses, but could never make any considerable part of the food of the people. The small quantity of salt provisions imported from Ireland since their importation was rendered free, is an experimental proof that our graziers have nothing to apprehend from it. It does not appear that the price of butcher's meat has ever been sensibly affected by it.

Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's meat. A pound of wheat at a penny is as dear as a pound of butcher's meat at fourpence The small quantity of foreign corn imported even in times of the greatest scarcity. may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade, to twenty-three thousand seven hundred and twenty-eight quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual consumption.[2] But as the bounty upon corn occasions a greater exportation in years of plenty, so it must of consequence occasion a greater importation in years of scarcity, than in the actual state of tillage would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another; and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there were no bounty, as less corn would be exported, so it is probable that, one year

[1] This limitation and all the restraints formerly imposed on the commerce between Great Britain and Ireland, have been repealed.

[2] The imports of foreign corn have greatly increased since 1766, when the tracts on the Corn Trade were published. During the half dozen years ending with 1837, they fell off very considerably; a consequence partly, no doubt, of the then existing regulations in regard to importation, but far more of favourable harvests and the spread of agricultural improvement. Latterly, however, or from 1838 down to the present time (1863), the imports have been very large. See Supplemental Note on Corn Laws.

with another, less would be imported than at present. The corn merchants, the fetchers and carriers of corn between Great Britain and foreign countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty.[1]

Country gentlemen and farmers are, to their great honour, of all people the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville stipulated that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours' farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending, as far as possible, any new practice which they have found to be advantageous. *Pius quæstus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt.*[2] Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home market. It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's meat. They did not, perhaps, take time to consider how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain.

There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

The first is, when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries. The following are the principal dispositions of this act.

First, All ships, of which the owners masters, and three-fourths of the mariners are not British subjects, are prohibited, upon pain of forfeiting ship and cargo, from trading to the British settlements and plantations, or from being employed in the coasting trade of Great Britain.

Secondly, A great variety of the most bulky articles of importation can be brought into Great Britain only, either in such ships as are above described, or in ships of the country where those goods are produced, and of which the owners, masters, and three-fourths of the mariners, are of that particular country; and when imported even in ships of this latter kind, they are subject to double aliens duty. If imported in ships of any other country, the penalty is forfeiture of ship and goods. When this act was made, the Dutch were, what they still are, the great carriers of Europe; and by this regulation they were entirely excluded from being the carriers to Great Britain, or from importing to us the goods of any other European country.

Thirdly, A great variety of the most bulky articles of importation are prohibited from being imported, even in British ships, from any country but that in which they are produced, under pain of forfeiting ship and cargo. This regulation, too, was probably intended against the Dutch. Holland was then, as now, the great emporium for all European goods; and by this regulation, British ships were hindered from loading in Holland the goods of any other European country.

Fourthly, Salt fish of all kinds, whale-fins, whale bone, oil, and blubber, not caught by and cured on board British vessels, when imported into Great Britain, are subjected to double aliens duty. The Dutch, as they are still the principal, were then the only fishers in Europe that attempted to supply

[1] The bounty was repealed in 1815. See supplemental note on the Corn Laws.

[2] See *antè*, p. 115. note.

foreign nations with fish. By this regulation, a very heavy burden was laid upon their supplying Great Britain.

When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act, and it broke out soon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, — the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations, is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry. Even the ancient aliens duty, which used to be paid upon all goods exported as well as imported, has, by several subsequent acts, been taken off from the greater part of the articles of exportation; but if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy, because coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.[1]

The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, is, when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

This second limitation of the freedom of trade, according to some people, should, upon some occasions, be extended much farther than to the precise foreign commodities which could come into competition with those which had been taxed at home. When the necessaries of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like necessaries of life imported from other countries, but all sorts of foreign goods which can come into competition with any thing that is the produce of domestic industry. Subsistence, they say, becomes necessarily dearer in consequence of such taxes; and the price of labour must always rise with the price of the labourer's subsistence. Every commodity, therefore, which is the produce of domestic industry, though not immediately taxed itself, becomes dearer in consequence of such taxes, because the labour which produces it becomes so.[2] Such taxes, therefore, are really equivalent, they say, to a tax upon every particular commodity produced at home. In order to put domestic upon the same footing with foreign industry, therefore, it becomes necessary, they think, to lay some duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

Whether taxes upon the necessaries of life, such as those in Great Britain upon

[1] For an inquiry into the policy of the navigation act, and of the alterations made in it, the reader is referred to the supplemental note on the Navigation Laws, where the subject is treated of at considerable length.

[2] There can be no doubt that taxes upon the necessaries of life raise the wages of labour; but it will be shown, in the supplemental note on the Effect of Variations in the rates of Wages, and Profit on the Value of Commodities, that a rise of wages does not occasion a general rise in the price of commodities.

soap, salt, leather, candles, &c., necessarily raise the price of labour, and consequently that of all other commodities, I shall consider hereafter, when I come to treat of taxes. Supposing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in consequence of that of labour, is a case which differs in the two following respects from that of a particular commodity, of which the price was enhanced by a particular tax immediately imposed upon it.

First, It might always be known with great exactness how far the price of such a commodity could be enhanced by such a tax: but how far the general enhancement of the price of labour might affect that of every different commodity, about which labour was employed, could never be known with any tolerable exactness. It would be impossible, therefore, to proportion with any tolerable exactness the tax upon every foreign, to this enhancement of the price of every home commodity.

Secondly, Taxes upon the necessaries of life have nearly the same effect upon the circumstances of the people as a poor soil and a bad climate. Provisions are thereby rendered dearer in the same manner as if it required extraordinary labour and expense to raise them. As in the natural scarcity arising from soil and climate, it would be absurd to direct the people in what manner they ought to employ their capitals and industry, so is it likewise in the artificial scarcity arising from such taxes. To be left to accommodate, as well as they could, their industry to their situation, and to find out those employments in which, notwithstanding their unfavourable circumstances, they might have some advantage either in the home or in the foreign market, is what in both cases would evidently be most for their advantage. To lay a new tax upon them, because they are already overburdened with taxes, and because they already pay too dear for the necessaries of life, to make them likewise too dear for the greater part of other commodities, is certainly a most absurd way of making amends.

Such taxes, when they have grown up to a certain height, are a curse equal to the barrenness of the earth and the inclemency of the heavens; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health under an unwholesome regimen, so the nations only that in every sort of industry have the greatest natural and acquired advantages can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.

As there are two cases in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, so there are two others in which it may sometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner, it may be proper to restore that free importation after it has been for sometime interrupted.

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations, accordingly, seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. That minister, by the tarif, of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they, in 1671, prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697 the English prohibited the importation of bone-lace, the manufacture of Flanders. The government of that country, at that time under the dominion of Spain, prohibited in

return the importation of English woollens. In 1700 the prohibition of importing bonelace into England was taken off, upon condition that the importation of English woollens into Flanders should be put on the same footing as before.

There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not perhaps belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as "to the skill of that insidious and crafty animal, vulgarly called a statesman or politician," whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes, but to almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home market. Those workmen, however, who suffered by our neighbours' prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours' prohibition, but of some other class.

The case in which it may sometimes be a matter of deliberation, how far, or in what manner, it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons: —

First, All those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could, from the nature of things, extend to so few, that it could make no sensible impression upon the general employment of the people. But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hardware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.[1]

Secondly, Though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war, more than a hundred thousand soldiers and seamen—a number equal to what is employed in the greatest manufactures—were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service, as they could find occasion, and in the mean time, both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce anywhere sensibly in-

1 See *ante* note p. 201

creased by it, even the wages of labour were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant service. But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labour only; the soldier to expect it from his pay. Application and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labour to another, than to turn idleness and dissipation to any. To the greater part of manufactures besides, it has already been observed, there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country, to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland. Let the same natural liberty of exercising what species of industry they please, be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship,[1] both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers than from that of soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it.[2] Not only the prejudices of the public, but, what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter inflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and, upon many occasions, intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more, if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.[3]

The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard,

[1] The statute of apprenticeship was repealed in 1814. See *ante*, p. 55, note.

[2] This expectation, which seemed so absurd in 1776, has been realized. The numerous restraints that were then imposed on the freedom of trade, for the protection of native industry and other causes, have all, or very nearly all, been repealed. The restrictions on the corn trade finally ceased in 1849. It is necessary to bear in mind that a free trade does not suppose a trade in which imported commodities shall be exempted from duties; but a trade without any prohibitions of import or export, and without any duties on importation for the sake of protecting some department of native industry, or for any purpose other than the acquisition of revenue. Duties imposed for this purpose may be high, and even oppressive, without encroaching on the principle of freedom.

[3] The more general diffusion of information with respect to the sound principles of commercial economy, and the influence of restrictions on trade, have made the latter be abolished, sometimes with none, and generally with less opposition on the part of the manufacturers and others than might have been anticipated.

therefore, to his interest, requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend farther those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.

How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter, when I come to treat of taxes. Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

CHAP. III.

Of the extraordinary Restraints upon the Importation of Goods of almost all Kinds, from those Countries with which the Balance is supposed to be disadvantageous.

Part I.

Of the Unreasonableness of those Restraints even upon the Principles of the Commercial System.

To lay extraordinary restraints upon the importation of goods of almost all kinds, from those particular countries with which the balance of trade is supposed to be disadvantageous, is the second expedient by which the commercial system proposes to increase the quantity of gold and silver. Thus in Great Britain, Silesia lawns may be imported for home consumption, upon paying certain duties; but French cambrics and lawns are prohibited to be imported, except into the port of London, there to be warehoused for exportation.[1] Higher duties are imposed upon the wines of France than upon those of Portugal, or indeed of any other country. By what is called the impost 1692, a duty of five-and-twenty per cent., of the rate or value, was laid upon all French goods, while the goods of other nations were, the greater part of them, subjected to much lighter duties, seldom exceeding five per cent. The wine, brandy, salt, and vinegar of France were indeed excepted; these commodities being subjected to other heavy duties, either by other laws, or by particular clauses of the same law. In 1696, a second duty of twenty-five per cent., the first not having been thought a sufficient discouragement, was imposed upon all French goods, except brandy; together with a new duty of five-and-twenty pounds upon the tun of French wine, and another of fifteen pounds upon the tun of French vinegar. French goods have never been omitted in any of those general subsidies, or duties of five per cent., which have been imposed upon all, or the greater part of the goods enumerated in the book of rates. If we count the one-third and two-third subsidies as making a complete subsidy between them, there have been five of these general subsidies, so that before the commencement of the present war, seventy-five per cent. may be considered as the lowest duty, to which the greater part of the goods of the growth, produce, or manufacture of France were liable; but upon the greater part of goods, those duties are equivalent to a prohibition. The French in their turn have, I believe, treated our goods and manufactures just as hardly; though I am not so well acquainted with the particular hardships which they have imposed upon them. Those mutual restraints have put an end to almost all fair commerce between the two nations, and smugglers are now the principal importers, either of British goods into France, or of French goods into Great Britain. The principles which I have been examining in the foregoing chapter, took their origin from private interest and the spirit of monopoly; those which I am going to examine in this, from national prejudice and animosity. They are, accordingly, as might well be expected, still more unreasonable. They are so, even upon the principles of the commercial system.[2]

First, Though it were certain that in the case of a free trade between France and England, for example, the balance would be in favour of France, it would by no means follow that such a trade would be disadvantageous to England, or that the general balance of its whole trade would thereby be turned more against it. If the wines of France are better and cheaper than those of Portugal, or its linens than those of Ger-

[1] French cambrics and lawns may now (1863) be imported, like all other varieties of linen goods, duty free.

[2] The restrictions and prohibitions with which the trade with France was fettered continued, notwithstanding the denunciations of Hume and Smith, to maintain their baleful ascendancy down to our own times. Now (1863), however, they have totally disappeared. The oppressive and offensive discriminating duty upon French wines was abolished in 1831, and the late treaty (1860) has repealed or reduced, to a much greater extent than appears to have been expedient, the duties on most varieties of French goods. See Note on Commercial Treaties.

many, it would be more advantageous for Great Britain to purchase both the wine and the foreign linen which it had occasion for of France, than of Portugal and Germany. Though the value of the annual importations from France would thereby be greatly augmented, the value of the whole annual importations would be diminished, in proportion as the French goods of the same quality were cheaper than those of the other two countries. This would be the case even upon the supposition that the whole French goods imported were to be consumed in Great Britain.

But, *secondly*, A great part of them might be re-exported to other countries, where, being sold with profit, they might bring back a return equal in value, perhaps, to the prime cost of the whole French goods imported. What has frequently been said of the East India trade might, possibly, be true of the French,—that though the greater part of East India goods were bought with gold and silver, the re-exportation of a part of them to other countries brought back more gold and silver to that which carried on the trade than the prime cost of the whole amounted to. One of the most important branches of the Dutch trade, at present, consists in the carriage of French goods to other European countries. Some part even of the French wine drunk in Great Britain is clandestinely imported from Holland and Zealand. If there was either a free trade between France and England, or if French goods could be imported upon paying only the same duties as those of other European nations, to be drawn back upon exportation, England might have some share of a trade which is found so advantageous to Holland.

Thirdly, and lastly, There is no certain criterion by which we can determine on which side what is called the balance between any two countries lies, or which of them exports to the greatest value. National prejudice and animosity, prompted always by the private interest of particular traders, are the principles which generally direct our judgment upon all questions concerning it. There are two criterions, however, which have frequently been appealed to upon such occasions: the custom-house books and the course of exchange. The custom-house books, I think, it is now generally acknowledged, are a very uncertain criterion, on account of the inaccuracy of the valuation at which the greater part of goods are rated in them. The course of exchange is, perhaps, almost equally so.

When the exchange between two places, such as London and Paris, is at par, it is said to be a sign that the debts due from London to Paris are compensated by those due from Paris to London. On the contrary, when a premium is paid at London for a bill upon Paris, it is said to be a sign that the debts due from London to Paris are not compensated by those due from Paris to London, but that a balance in money must be sent out from the latter place; for the risk, trouble, and expense, of exporting which, the premium is both demanded and given. But the ordinary state of debt and credit between those two cities must necessarily be regulated, it is said, by the ordinary course of their dealings with one another. When neither of them imports from the other to a greater amount than it exports to that other, the debts and credits of each may compensate one another. But when one of them imports from the other to a greater value than it exports to that other, the former necessarily becomes indebted to the latter in a greater sum than the latter becomes indebted to it: the debts and credits of each do not compensate one another, and money must be sent out from that place of which the debts overbalance the credits. The ordinary course of exchange, therefore, being an indication of the ordinary state of debt and credit between two places, must likewise be an indication of the ordinary course of their exports and imports, as these necessarily regulate that state.

But though the ordinary course of exchange should be allowed to be a sufficient indication of the ordinary state of debt and credit between any two places, it would not from thence follow that the balance of trade was in favour of that place which had the ordinary state of debt and credit in its favour. The ordinary state of debt and credit between any two places is not always entirely regulated by the ordinary course of their dealings with one another, but is often influenced by that of the dealings of either with many other places. If it is usual, for example, for the merchants of England to pay for the goods which they buy of Hamburgh, Dantzic, Riga, &c. by bills upon Holland, the ordinary state of debt and credit between England and Holland will not be regulated entirely by the ordinary course of the dealings of those two countries with one another, but will be influenced by that of the dealings of England with those other places. England may be obliged to send out every year money to Holland, though its annual exports to that country may exceed very much the annual value of its imports from thence; and though what is called the balance of trade may be very much in favour of England.

In the way, besides, in which the par of exchange has hitherto been computed, the ordinary course of exchange can afford no sufficient indication that the ordinary state of debt and credit is in favour of that country which seems to have, or which is supposed to have, the ordinary course of

exchange in its favour: or, in other words, the real exchange may be, and in fact often is, so very different from the computed one, that from the course of the latter no certain conclusion can, upon many occasions, be drawn concerning that of the former.

When for a sum of money paid in England, containing, according to the standard of the English mint, a certain number of ounces of pure silver, you receive a bill for a sum of money to be paid in France, containing, according to the standard of the French mint, an equal number of ounces of pure silver, exchange is said to be at par between England and France. When you pay more, you are supposed to give a premium, and exchange is said to be against England and in favour of France. When you pay less, you are supposed to get a premium, and exchange is said to be against France and in favour of England.

But, *first*, We cannot always judge of the value of the current money of different countries by the standard of their respective mints: in some it is more, in others it is less worn, clipt, and otherwise degenerated from that standard. But the value of the current coin of every country, compared with that of any other country, is in proportion, not to the quantity of pure silver which it ought to contain, but to that which it actually does contain. Before the reformation of the silver coin in King William's time, exchange between England and Holland, computed in the usual manner according to the standard of their respective mints, was five-and-twenty per cent. against England. But the value of the current coin of England, as we learn from Mr. Lowndes, was at that time rather more than five-and-twenty per cent. below its standard value. The real exchange, therefore, may even at that time have been in favour of England, notwithstanding the computed exchange was so much against it; a smaller number of ounces of pure silver, actually paid in England, may have purchased a bill for a greater number of ounces of pure silver to be paid in Holland, and the man who was supposed to give may in reality have got the premium. The French coin was, before the late reformation of the English gold coin, much less worn than the English, and was, perhaps, two or three per cent. nearer its standard. If the computed exchange with France, therefore, was not more than two or three per cent. against England, the real exchange might have been in its favour. Since the reformation of the gold coin, the exchange has been constantly in favour of England and against France.

Secondly, In some countries, the expense of coinage is defrayed by the government; in others, it is defrayed by the private people, who carry their bullion to the mint, and the government even derives some revenue from the coinage. In England, it is defrayed by the government, and if you carry a pound weight of standard silver to the mint, you get back sixty-two shillings, containing a pound weight of the like standard silver. In France, a duty of eight per cent. is deducted for the coinage, which not only defrays the expense of it, but affords a small revenue to the government.[1] In England, as the coinage costs nothing, the current coin can never be much more valuable than the quantity of bullion which it actually contains. In France, the workmanship, as you pay for it, adds to the value, in the same manner as to that of wrought plate. A sum of French money, therefore, containing a certain weight of pure silver, is more valuable than a sum of English money containing an equal weight of pure silver, and must require more bullion, or other commodities, to purchase it. Though the current coin of the two countries, therefore, were equally near the standards of their respective mints, a sum of English money could not well purchase a sum of French money, containing an equal number of ounces of pure silver, nor consequently a bill upon France for such a sum. If for such a bill no more additional money was paid than what was sufficient to compensate the expense of the French coinage, the real exchange might be at par between the two countries, their debts and credits might mutually compensate one another, while the computed exchange was considerably in favour of France. If less than this was paid the real exchange might be in favour of England, while the computed was in favour of France.

Thirdly, and lastly, In some places, as at Amsterdam, Hamburgh, Venice, &c. foreign bills of exchange are paid in what they call bank money; while in others, as at London, Lisbon, Antwerp, Leghorn, &c. they are paid in the common currency of the country. What is called bank money is always of more value than the same nominal sum of common currency. A thousand guilders in the bank of Amsterdam, for example, are of more value than a thousand guilders of Amsterdam currency. The difference between them is called the agio of the bank, which, at Amsterdam, is generally about five per cent. Supposing the current money of the two countries equally near to the standard of their respective mints, and that the one pays foreign bills in this common currency, while the other pays them in bank money, it is evident that the computed ex-

[1] No seignorage is charged in England on the coinage of gold, but a seignorage of 6 14-31 per cent. has been charged since 1816 on the coinage of silver. In France, the seignorage does not exceed ½ per cent. on gold, and 1½ per cent. on silver. See *ante*, p. 19, and p. 21.

change may be in favour of that which pays in bank money, though the real exchange should be in favour of that which pays in current money; for the same reason that the computed exchange may be in favour of that which pays in better money, or in money nearer to its own standard, though the real exchange should be in favour of that which pays in worse. The computed exchange, before the late reformation of the gold coin, was generally against London with Amsterdam, Hamburgh, Venice, and, I believe, with all other places which pay in what is called bank money. It will by no means follow, however, that the real exchange was against it. Since the reformation of the gold coin, it has been in favour of London even with those places. The computed exchange has generally been in favour of London with Lisbon, Antwerp, Leghorn, and, if you except France, I believe, with most other parts of Europe that pay in common currency; and it is not improbable that the real exchange was so too.[1]

Digression concerning Banks of Deposit, particularly concerning that of Amsterdam.

THE currency of a great state, such as France or England, generally consists almost entirely of its own coin. Should this currency, therefore, be at any time worn, clipt, or otherwise degraded below its standard value, the state by a reformation of its coin can effectually re-establish its currency. But the currency of a small state, such as Genoa or Hamburgh, can seldom consist altogether in its own coin, but must be made up, in a great measure, of the coins of all the neighbouring states with which its inhabitants have a continual intercourse. Such a state, therefore, by reforming its coin, will not always be able to reform its currency. If foreign bills of exchange are paid in this currency, the uncertain value of any sum, of what is in its own nature so uncertain, must render the exchange always very much against such a state, its currency being, in all foreign states, necessarily valued even below what it is worth.

In order to remedy the inconvenience to which this disadvantageous exchange must have subjected their merchants, such small states, when they began to attend to the interest of trade, have frequently enacted, that foreign bills of exchange of a certain value should be paid, not in common currency, but by an order upon, or by a transfer in the books of a certain bank, established upon the credit, and under the protection of the state; this bank being always obliged to pay, in good and true money, exactly according to the standard of the state. The banks of Venice, Genoa, Amsterdam, Hamburgh and Nuremberg, seem to have been all originally established with this view, though some of them may have afterwards been made subservient to other purposes. The money of such banks, being better than the common currency of the country, necessarily bore an agio, which was greater or smaller, according as the currency was supposed to be more or less degraded below the standard of the state. The agio of the bank of Hamburgh, for example, which is said to be commonly about fourteen per cent., is the supposed difference between the good standard money of the state, and the clipt, worn, and diminished currency poured into it from all the neighbouring states.

Before 1609 the great quantity of clipt and worn foreign coin, which the extensive trade of Amsterdam brought from all parts of Europe, reduced the value of its currency about nine per cent. below that of good money fresh from the mint. Such money no sooner appeared than it was melted down or carried away, as it always is in such circumstances. The merchants, with plenty of currency, could not always find a sufficient quantity of good money to pay their bills of exchange; and the value of those bills, in spite of several regulations which were made to prevent it, became in a great measure uncertain.

In order to remedy these inconveniencies, a bank was established in 1609 under the guarantee of the city. This bank received both foreign coin, and the light and worn coin of the country at its real intrinsic value in the good standard money of the country, deducting only so much as was necessary for defraying the expense of coinage, and the other necessary expense of management. For the value which remained, after this small deduction was made, it gave a credit in its books. This credit was called bank money, which, as it represented money exactly according to the standard of the mint, was always of the same real value, and intrinsically worth more than current money. It was at the same time enacted, that all bills drawn upon or negotiated at Amsterdam of the value of six hundred guilders and upwards should be paid in bank money, which at once took away all uncertainty in the value of those bills. Every merchant, in consequence of this regulation, was obliged to keep an account with the bank in order to pay his foreign bills of exchange, which necessarily occasioned a certain demand for bank money.

Bank money, over and above both its intrinsic superiority to currency, and the additional value which this demand neces-

[1] For a more complete exposition of the theory and practice of exchange, the reader is referred to Mr. Blake's celebrated pamphlet, entitled *Observations on Exchange* and to the article "Exchange," in the new edition of the *Encyclopædia Britannica*.

sarily gives it, has likewise some other advantages. It is secure from fire, robbery, and other accidents; the city of Amsterdam is bound for it; it can be paid away by a simple transfer, without the trouble of counting, or the risk of transporting it from one place to another. In consequence of those different advantages, it seems from the beginning to have borne an agio, and it is generally believed that all the money originally deposited in the bank was allowed to remain there, nobody caring to demand payment of a debt which he could sell for a premium in the market. By demanding payment of the bank, the owner of a bank credit would lose this premium. As a shilling fresh from the mint will buy no more goods in the market than one of our common worn shillings, so the good and true money which might be brought from the coffers of the bank into those of a private person, being mixed and confounded with the common currency of the country, would be of no more value than that currency, from which it could no longer be readily distinguished. While it remained in the coffers of the bank, its superiority was known and ascertained. When it had come into those of a private person, its superiority could not well be ascertained without more trouble than perhaps the difference was worth. By being brought from the coffers of the bank, besides, it lost all the other advantages of bank money; its security, its easy and safe transferability, its use in paying foreign bills of exchange. Over and above all this, it could not be brought from those coffers, as it will appear by and by, without previously paying for the keeping.

Those deposits of coin, or those deposits which the bank was bound to restore in coin, constituted the original capital of the bank, or the whole value of what was represented by what is called bank money. At present they are supposed to constitute but a very small part of it. In order to facilitate the trade in bullion, the bank has been for these many years in the practice of giving credit in its books upon deposits of gold and silver bullion. This credit is generally about five per cent. below the mint price of such bullion. The bank grants at the same time what is called a recipice or receipt, entitling the person who makes the deposit, or the bearer, to take out the bullion again at any time within six months, upon re-transferring to the bank a quantity of bank money equal to that for which credit had been given in its books when the deposit was made, and upon paying one-fourth per cent. for the keeping, if the deposit was in silver, and one-half per cent. if it was in gold; but at the same time declaring, that in default of such payment, and upon the expiration of this term, the deposit should belong to the bank at the price at which it had been received, or for which credit had been given in the transfer books. What is thus paid for the keeping of the deposit may be considered as a sort of warehouse rent; and why this warehouse rent should be so much dearer for gold than for silver, several different reasons have been assigned. The fineness of gold, it has been said, is more difficult to be ascertained than that of silver. Frauds are more easily practised, and occasion a greater loss in the more precious metals. Silver, besides, being the standard metal, the state, it has been said, wishes to encourage more the making of deposits of silver than those of gold.

Deposits of bullion are most commonly made when the price is somewhat lower than ordinary; and they are taken out again when it happens to rise. In Holland, the market price of bullion is generally above the mint price, for the same reason that it was so in England before the late reformation of the gold coin. The difference is said to be commonly from about six to sixteen stivers upon the mark, or eight ounces of silver of eleven parts fine, and one part alloy. The bank price, or the credit which the bank gives for deposits of such silver (when made in foreign coin, of which the fineness is well known and ascertained, such as Mexico dollars) is twenty-two guilders the mark; the mint price is about twenty-three guilders, and the market price is from twenty-three guilders six to twenty-three guilders sixteen stivers, or from two to three per cent. above the mint price.[1] The proportions between the bank price, the mint price, and the market price of gold bullion are nearly the same. A person can generally sell his receipt for the difference between the mint price of bullion and the market price. A receipt for bullion is almost

[1] The following are the prices at which the bank of Amsterdam at present (September, 1775) receives bullion and coin of different kinds: —

SILVER.

Mexico dollars, French crowns, English silver coin	B — 22 per mark.	Guilders.
Mexico dollars, new coin		21 10
Ducatoons		3 0
Rix-dollars		2 8

Bar silver, containing 11-12 fine silver, 21 per mark, and in this proportion down to ½ fine, on which five guilders are given.

Fine bars, 23 per mark.

GOLD.

Portugal coin, Guineas, Louis d'ors, new	B — 310 per mark.	Guilders.
Ditto, old		300
New ducats		4 19 8 per ducat.

Bar or ingot gold is received in proportion to its fineness compared with the above foreign gold coin. Upon fine bars the bank gives 340 per mark. In general, however, something more is given upon coin of a known fineness than upon gold and silver bars, of which the fineness cannot be ascertained but by a process of melting and assaying. (Note by the author.)

always worth something, and it very seldom happens, therefore, that any body suffers his receipt to expire, or allows his bullion to fall to the bank at the price at which it had been received, either by not taking it out before the end of the six months, or by neglecting to pay the one-fourth or one-half per cent., in order to obtain a new receipt for another six months. This, however, though it happens seldom, is said to happen sometimes, and more frequently with regard to gold than with regard to silver, on account of the higher warehouse rent which is paid for the keeping of the more precious metal.

The person who, by making a deposit of bullion, obtains both a bank credit and a receipt, pays his bills of exchange as they become due with his bank credit, and either sells or keeps his receipt according as he judges that the price of bullion is likely to rise or to fall. The receipt and the bank credit seldom keep long together, and there is no occasion that they should. The person who has a receipt, and who wants to take out bullion, finds always plenty of bank credits or bank money to buy at the ordinary price; and the person who has bank money, and wants to take out bullion, finds receipts always in equal abundance.

The owners of bank credits and the holders of receipts constitute two different sorts of creditors against the bank. The holder of a receipt cannot draw out the bullion for which it is granted, without re-assigning to the bank a sum of bank money equal to the price at which the bullion had been received. If he has no bank money of his own, he must purchase it of those who have it. The owner of bank money cannot draw out bullion without producing to the bank receipts for the quantity which he wants. If he has none of his own, he must buy them of those who have them. The holder of a receipt, when he purchases bank money, purchases the power of taking out a quantity of bullion, of which the mint price is five per cent. above the bank price. The agio of five per cent., therefore, which he commonly pays for it, is paid, not for an imaginary, but for a real value. The owner of bank money, when he purchases a receipt, purchases the power of taking out a quantity of bullion, of which the market price is commonly from two to three per cent. above the mint price. The price which he pays for it, therefore, is paid likewise for a real value. The price of the receipt and the price of the bank money compound or make up between them the full value or price of the bullion.

Upon deposits of the coin current in the country, the bank grants receipts likewise as well as bank credits; but those receipts are frequently of no value, and will bring no price in the market. Upon ducatoons, for example, which in the currency pass for three guilders three stivers each, the bank gives a credit of three guilders only, or five per cent. below their current value. It grants a receipt likewise, entitling the bearer to take out the number of ducatoons deposited at any time within six months, upon paying one-fourth per cent. for the keeping. This receipt will frequently bring no price in the market. Three guilders bank money generally sell in the market for three guilders three stivers, the full value of the ducatoons if they were taken out of the bank; and before they can be taken out, one-fourth per cent. must be paid for the keeping, which would be mere loss to the holder of the receipt. If the agio of the bank, however, should at any time fall to three per cent., such receipts might bring some price in the market, and might sell for one and three-fourths per cent. But the agio of the bank being now generally about five per cent., such receipts are frequently allowed to expire, or, as they express it, to fall to the bank. The receipts which are given for deposits of gold ducats fall to it yet more frequently, because a higher warehouse rent, or one-half per cent. must be paid for the keeping of them before they can be taken out again. The five per cent. which the bank gains, when deposits either of coin or bullion are allowed to fall to it, may be considered as the warehouse rent for the perpetual keeping of such deposits.

The sum of bank money for which the receipts are expired must be very considerable. It must comprehend the whole original capital of the bank, which, it is generally supposed, has been allowed to remain there from the time it was first deposited, nobody caring either to renew his receipt or to take out his deposit, as, for the reasons already assigned, neither the one nor the other could be done without loss. But whatever may be the amount of this sum, the proportion which it bears to the whole mass of bank money is supposed to be very small. The bank of Amsterdam has for these many years past been the great warehouse of Europe for bullion, for which the receipts are very seldom allowed to expire, or, as they express it, to fall to the bank. The far greater part of the bank money, or of the credits upon the books of the bank, is supposed to have been created, for these many years past, by such deposits, which the dealers in bullion are continually both making and withdrawing.

No demand can be made upon the bank but by means of a recipice or receipt The smaller mass of bank money, for which the receipts are expired, is mixed and confounded with the much greater mass for which they are still in force; so that though there may be a considerable sum of bank money, for which there are no receipts

there is no specific sum or portion of it which may not at any time be demanded by one. The bank cannot be debtor to two persons for the same thing; and the owner of bank money who has no receipt cannot demand payment of the bank till he buys one. In ordinary and quiet times, he can find no difficulty in getting one to buy at the market price, which generally corresponds with the price at which he can sell the coin or bullion it entitles him to take out of the bank.

It might be otherwise during a public calamity,—an invasion, for example, such as that of the French in 1672. The owners of bank money being then all eager to draw it out of the bank, in order to have it in their own keeping, the demand for receipts might raise their price to an exorbitant height. The holders of them might form extravagant expectations, and, instead of two or three per cent., demand half the bank money for which credit had been given upon the deposits that the receipts had respectively been granted for. The enemy, informed of the constitution of the bank, might even buy them up, in order to prevent the carrying away of the treasure. In such emergencies the bank, it is supposed, would break through its ordinary rule of making payment only to the holders of receipts. The holders of receipts, who had no bank money, must have received within two or three per cent. of the value of the deposit for which their respective receipts had been granted. The bank, therefore, it is said, would in this case make no scruple of paying, either with money or bullion, the full value of what the owners of bank money who could get no receipts were credited for in its books; paying at the same time two or three per cent. to such holders of receipts as had no bank money, that being the whole value which, in this state of things, could justly be supposed due to them.

Even in ordinary and quiet times it is the interest of the holders of receipts to depress the agio, in order either to buy bank money (and consequently the bullion, which their receipts would then enable them to take out of the bank) so much cheaper, or to sell their receipts to those who have bank money, and who want to take out bullion, so much dearer; the price of a receipt being generally equal to the difference between the market price of bank money, and that of the coin or bullion for which the receipt had been granted. It is the interest of the owners of bank money, on the contrary, to raise the agio, in order either to sell their bank money so much dearer, or to buy a receipt so much cheaper. To prevent the stock-jobbing tricks which those opposite interests might sometimes occasion, the bank has of late years come to the resolution to sell at all times bank money for currency, at five per cent. agio, and to buy it in again at four per cent. agio. In consequence of this resolution, the agio can never either rise above five or sink below four per cent.; and the proportion between the market price of bank and that of current money is kept at all times very near to the proportion between their intrinsic values. Before this resolution was taken, the market price of bank money used sometimes to rise so high as nine per cent. agio, and sometimes to sink so low as par, according as opposite interests happened to influence the market.

The bank of Amsterdam professes to lend out no part of what is deposited with it, but, for every guilder for which it gives credit in its books, to keep in its repositories the value of a guilder either in money or bullion. That it keeps in its repositories all the money or bullion for which there are receipts in force, for which it is at all times liable to be called upon, and which in reality, is continually going from it and returning to it again, cannot well be doubted; but whether it does so likewise with regard to that part of its capital, for which the receipts are long ago expired, for which in ordinary and quiet times it cannot be called upon, and which in reality is very likely to remain with it for ever, or as long as the States of the United Provinces subsist, may perhaps appear more uncertain. At Amsterdam, however, no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank. The city is guarantee that it should be so. The bank is under the direction of the four reigning burgomasters, who are changed every year. Each new set of burgomasters visits the treasure, compares it with the books, receives it upon oath, and delivers it over with the same awful solemnity, to the set which succeeds; and in that sober and religious country oaths are not yet disregarded. A rotation of this kind seems alone a sufficient security against any practices which cannot be avowed. Amidst all the revolutions which faction has ever occasioned in the government of Amsterdam, the prevailing party has at no time accused their predecessors of infidelity in the administration of the bank. No accusation could have affected more deeply the reputation and fortune of the disgraced party, and if such an accusation could have been supported, we may be assured that it would have been brought. In 1672, when the French king was at Utrecht, the bank of Amsterdam paid so readily as left no doubt of the fidelity with which it had observed its engagements. Some of the pieces which were then brought from its repositories

appeared to have been scorched with the fire which happened in the town-house soon after the bank was established. Those pieces, therefore, must have lain there from that time.

What may be the amount of the treasure in the bank, is a question which has long employed the speculations of the curious: nothing but conjecture can be offered concerning it. It is generally reckoned that there are about two thousand people who keep accounts with the bank, and allowing them to have, one with another, the value of fifteen hundred pounds sterling lying upon their respective accounts, (a very large allowance,) the whole quantity of bank money, and consequently of treasure in the bank, will amount to about three millions sterling, or, at eleven guilders the pound sterling, thirty-three millions of guilders; a great sum, and sufficient to carry on a very extensive circulation; but vastly below the extravagant ideas which some people have formed of this treasure.

The city of Amsterdam derives a considerable revenue from the bank. Besides what may be called the warehouse rent above mentioned, each person, upon first opening an account with the bank, pays a fee of ten guilders; and for every new account three guilders three stivers; for every transfer two stivers; and if the transfer is for less than three hundred guilders, six stivers, in order to discourage the multiplicity of small transactions. The person who neglects to balance his account twice in the year forfeits twenty-five guilders. The person who orders a transfer for more than is upon his account is obliged to pay three per cent. for the sum overdrawn, and his order is set aside into the bargain. The bank is supposed too to make a considerable profit by the sale of the foreign coin or bullion which sometimes falls to it by the expiring of receipts, and which is always kept till it can be sold with advantage. It makes a profit likewise by selling bank money at five per cent. agio, and buying it in at four. These different emoluments amount to a good deal more than what is necessary for paying the salaries of officers, and defraying the expense of management. What is paid for the keeping of bullion upon receipts, is alone supposed to amount to a neat annual revenue of between one hundred and fifty thousand and two hundred thousand guilders. Public utility, however, and not revenue, was the original object of this institution. Its object was to relieve the merchants from the inconvenience of a disadvantageous exchange. The revenue which has arisen from it was unforeseen, and may be considered as accidental. But it is now time to return from this long digression, into which I have been insensibly led, in endeavouring to explain the reasons why the exchange between the countries which pay in what is called bank money, and those which pay in common currency, should generally appear to be in favour of the former, and against the latter. The former pay in a species of money of which the intrinsic value is always the same, and exactly agreeable to the standard of their respective mints; the latter in a species of money of which the intrinsic value is continually varying, and is almost always more or less below that standard.[1]

[1] The events that have transpired since the publication of the Wealth of Nations have shown that the directors of the bank of Amsterdam had abused the confidence placed in them. Towards the middle of last century they began to make considerable advances, in a private way, from the bullion deposited in their coffers, to the government and the East India Company. But as this was a proceeding altogether inconsistent with the principles on which the bank was founded, it could not fail to endanger its stability; and as the directors must have been early aware of the difficult situation in which they had placed themselves, M. Storch thinks that the regulations described by Dr. Smith, with respect to the mode of recovering bullion deposited in the bank, instead of being intended to facilitate the commerce in bullion, had been devised to guard the bank from the effects of the underhand proceedings of the directors. At all events, it is certain that the regulations in question were enacted about the time when the directors began to make secret advances to government and the East India Company; and, on examination, it will be found that they, in fact, shut the coffers of the bank.

The bearer of a receipt for a deposit of bullion could not withdraw it without previously placing in the hands of the bank an amount of bank money equal to the price at which the bullion had been received, or to the credit given him in the books of the bank. If, therefore, the holder of a receipt for a deposit of gold or silver had made use of this credit or bank money, and in nine cases out of ten it was the desire to avail himself of that credit that led him to make the deposit — he had no power to make a demand upon the bank for the gold or silver he had lodged in its hands, until he purchased an equivalent amount of bank money from some other individual: and as no bank money was ever issued, except on a deposit of bullion, it is clear that, in the vast majority of cases, no individual could draw bullion from the bank until some other individual had previously placed an equal sum in its coffers. By this ingenious contrivance the bank received on the one hand what she paid out on the other; and the amount of bullion in her possession continued undiminished by the demands of her ordinary customers.

But, however strange it may seem, these regulations do not appear to have excited any suspicion with respect to their real object. The habit of seeing the bank always fulfil her engagements, the remembrance of what had taken place in 1672, and the confidence placed in the integrity of the city magistrates, by whom the bank was administered, all contributed to blind the public and allay suspicion.

This delusion was partially dissipated in December 1790. In the course of that month the bank published a notice stating that she would, in future, fix from time to time the price at which she would pay the silver deposited in her coffers; and she began by fixing it at such a rate that those who withdrew it sustained a loss of 10 per cent. She announced, at the same time, that she would pay no deposits except to those creditors who had bullion of the value of 2,500 florins and upwards in the bank.

This declaration could not fail to excite universal distrust. But the confidence placed in the rectitude of the management and the stability of the bank was still so great as to enable her to get over this crisis. Her dissolution was, however, at hand. In 1795 the

Part II.

Of the Unreasonableness of those extraordinary Restraints upon other Principles.

In the foregoing Part of this Chapter I have endeavoured to show, even upon the principles of the commercial system, how unnecessary it is to lay extraordinary restraints upon the importation of goods from those countries with which the balance of trade is supposed to be disadvantageous.

Nothing, however, can be more absurd than this whole doctrine of the balance of trade, upon which, not only these restraints, but almost all the other regulations of commerce are founded. When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false. A trade which is forced by means of bounties and monopolies, may be, and commonly is, disadvantageous to the country in whose favour it is meant to be established, as I shall endeavour to show hereafter. But that trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both.

By advantage or gain, I understand, not the increase of the quantity of gold and silver, but that of the exchangeable value of the annual produce of the land and labour of the country, or the increase of the annual revenue of its inhabitants.

If the balance be even, and if the trade between the two places consist altogether in the exchange of their native commodities, they will, upon most occasions, not only both gain, but they will gain equally, or very near equally: each will in this case afford a market for a part of the surplus produce of the other: each will replace a capital which had been employed in raising and preparing for the market this part of the surplus produce of the other, and which had been distributed among, and given revenue and maintenance to a certain number of its inhabitants. Some part of the inhabitants of each, therefore, will indirectly derive their revenue and maintenance from the other. As the commodities exchanged too are supposed to be of equal value, so the two capitals employed in the trade will, upon most occasions, be equal, or very nearly equal; and both being employed in raising the native commodities of the two countries, the revenue and maintenance which their distribution will afford to the inhabitants of each will be equal, or very nearly equal. This revenue and maintenance, thus mutually afforded, will be greater or smaller in proportion to the extent of their dealings. If these should annually amount to an hundred thousand pounds, for example, or to a million on each side, each of them would afford an annual revenue in the one case of an hundred thousand pounds, in the other, of a million to the inhabitants of the other.

If their trade should be of such a nature that one of them exported to the other nothing but native commodities, while the returns of that other consisted altogether in foreign goods, the balance, in this case, would still be supposed even, commodities being paid for with commodities. They would, in this case too, both gain, but they would not gain equally; and the inhabitants of the country which exported nothing but native commodities would derive the greatest revenue from the trade. If England, for example, should import from France nothing but the native commodities of that country, and not having such commodities of its own as were in demand there, should annually repay them by sending thither a large quantity of foreign goods, tobacco, we shall suppose, and East India goods; this trade, though it would give some revenue to the inhabitants of both countries, would give more to those of France than to those of England. The whole French capital annually employed in it would annually be distributed among the people of France; but that part of the English capital only which was employed in producing the English commodities with which those foreign goods were purchased, would be annually distributed among the people of England. The greater part of it would replace the capitals which had been employed in Virginia, Indostan, and China, and which had given revenue and maintenance to the inhabitants of those distant countries. If the capitals were equal, or nearly equal, therefore, this employment of the French capital

French invaded Holland; and the provisional government established in the city of Amsterdam was obliged to issue a declaration which put to rest all doubts with respect to the real situation of the bank, by informing the public that, during the last fifty years, the directors had successively advanced 10,621,793 florins to the East India Company, the provinces of Holland and West Friezland, and the city of Amsterdam! And thus, though the bullion actually in the coffers of the bank, and the debts due to her, were together fully equal to her engagements, yet, as she had advanced so large a sum as ten and a half millions to those who were no longer in a condition to meet the claims upon them, this statement of her affairs was really equivalent to a declaration of bankruptcy. In consequence, bank money, which had previously borne a premium of 5 per cent. over the current metallic money of Holland, immediately fell to 16 per cent. below it. This extraordinary decline marked the fall of an institution which had enjoyed for nearly two centuries unlimited credit in the commercial world, and rendered the greatest services to the country in which it was established. Storch, *Cours d'Economie Politique*, iv. p. 96, Paris, 1823.

would augment much more the revenue of the people of France, than that of the English capital would the revenue of the people of England. France would in this case carry on a direct foreign trade of consumption with England; whereas England would carry on a roundabout trade of the same kind with France. The different effects of a capital employed in the direct, and of one employed in the roundabout foreign trade of consumption, have already been fully explained.[1]

There is not, probably, between any two countries, a trade which consists altogether in the exchange either of native commodities on both sides, or of native commodities on one side, and of foreign goods on the other. Almost all countries exchange with one another partly native and partly foreign goods. That country, however, in whose cargoes there is the greatest proportion of native, and the least of foreign goods, will always be the principal gainer.

If it was not with tobacco and East India goods, but with gold and silver, that England paid for the commodities annually imported from France, the balance in this case would be supposed uneven, commodities not being paid for with commodities, but with gold and silver. The trade, however, would, in this case, as in the foregoing, give some revenue to the inhabitants of both countries, but more to those of France than to those of England.[2] It would give some revenue to those of England. The capital which had been employed in producing the English goods that purchased this gold and silver, the capital which had been distributed among, and given revenue to, certain inhabitants of England, would thereby be replaced, and enabled to continue that employment. The whole capital of England would no more be diminished by this exportation of gold and silver, than by the exportation of an equal value of any other goods. On the contrary, it would, in most cases, be augmented. No goods are sent abroad but those for which the demand is supposed to be greater abroad than at home, and of which the returns consequently, it is expected, will be of more value at home than the commodities exported. If the tobacco which, in England, is worth only a hundred thousand pounds, when sent to France will purchase wine which is, in England, worth a hundred and ten thousand pounds, the exchange will augment the capital of England by ten thousand pounds. If a hundred thousand pounds of English gold, in the same manner, purchase French wine, which, in England, is worth a hundred and ten thousand, this exchange will equally augment the capital of England by ten thousand pounds. As a merchant who has a hundred and ten thousand pounds' worth of wine in his cellar, is a richer man than he who has only a hundred thousand pounds worth of tobacco in his warehouse, so is he likewise a richer man than he who has only a hundred thousand pounds' worth of gold in his coffers. He can put into motion a greater quantity of industry, and give revenue, maintenance, and employment to a greater number of people than either of the other two. But the capital of the country is equal to the capitals of all its different inhabitants, and the quantity of industry which can be annually maintained in it is equal to what all those different capitals can maintain. Both the capital of the country, therefore, and the quantity of industry which can be annually maintained in it, must generally be augmented by this exchange. It would, indeed, be more advantageous for England that it could purchase the wines of France with its own hardware and broad-cloth, than with either the tobacco of Virginia, or the gold and silver of Brazil and Peru. A direct foreign trade of consumption is always more advantageous than a roundabout one.[3] But a roundabout foreign trade of consumption, which is carried on with gold and silver, does not seem to be less advantageous than any other equally roundabout one. Neither is a country which has no mines more likely to be exhausted of gold and silver by this annual exportation of those metals, than one which does not grow tobacco by the like annual exportation of that plant. As a country which has wherewithal to buy tobacco will never be long in want of it, so neither will one be long in want of gold and silver which has wherewithal to purchase those metals.

It is a losing trade, it is said, which a workman carries on with the alehouse; and the trade which a manufacturing nation would naturally carry on with a wine country may be considered as a trade of the same nature. I answer, that the trade with the alehouse is not necessarily a losing trade. In its own nature it is just as advantageous as any other, though, perhaps, somewhat more liable to be abused. The employment of a

[1] But in the cases supposed, France would have a much larger amount of capital employed in the trade: for, by the supposition, she has to employ capital in the production of the commodities she sends to England, whereas the latter has no capital employed in the production of the commodities she sends to France, but only in their carriage; and on this portion of her capital she would gain the same profit as the French.

[2] It would render no more revenue to the one country than to the other. The exportation of gold and silver does not affect capital more than the exportation of an equivalent amount of any other species of merchandise; and could not, therefore, occasion any greater change in the industry of the country.

[3] It is more advantageous to the consumers, because the shorter the distance from which foreign goods are brought, the expense of their conveyance, and, consequently, their price, is so much the less; but in other respects it is quite immaterial whether we carry on a trade with our nearest neighbours, or with those at the farthest part of the globe.

brewer, and even that of a retailer of fermented liquors, are as necessary divisions of labour as any other. It will generally be more advantageous for a workman to buy of the brewer the quantity he has occasion for, than to brew it himself; and if he is a poor workman, it will generally be more advantageous for him to buy it by little and little of the retailer, than a large quantity of the brewer. He may no doubt buy too much of either, as he may of any other dealers in his neighbourhood: of the butcher, if he is a glutton, or of the draper, if he affects to be a beau among his companions. It is advantageous to the great body of workmen, notwithstanding, that all these trades should be free, though this freedom may be abused in all of them, and is more likely to be so, perhaps, in some than in others. Though individuals, besides, may sometimes ruin their fortunes by an excessive consumption of fermented liquors, there seems to be no risk that a nation should do so. Though in every country there are many people who spend upon such liquors more than they can afford, there are always many more who spend less. It deserves to be remarked too, that, if we consult experience, the cheapness of wine seems to be a cause, not of drunkenness, but of sobriety. The inhabitants of the wine countries are in general the soberest people in Europe: witness the Spaniards, the Italians, and the inhabitants of the southern provinces of France. People are seldom guilty of excess in what is their daily fare. Nobody affects the character of liberality and good fellowship, by being profuse of a liquor which is as cheap as small beer. On the contrary, in the countries which, either from excessive heat or cold, produce no grapes, and where wine consequently is dear and a rarity, drunkenness is a common vice, as among the northern nations, and all those who live between the tropics, the negroes, for example, on the coast of Guinea. When a French regiment comes from some of the northern provinces of France, where wine is somewhat dear, to be quartered in the southern, where it is very cheap, the soldiers, I have frequently heard it observed, are at first debauched by the cheapness and novelty of good wine; but after a few months' residence the greater part of them become as sober as the rest of the inhabitants. Were the duties upon foreign wines, and the excises upon malt, beer, and ale, to be taken away all at once, it might, in the same manner, occasion in Great Britain a pretty general and temporary drunkenness among the middling and inferior ranks of people, which would probably be soon followed by a permanent and almost universal sobriety. At present, drunkenness is by no means the vice of the people of fashion, or of those who can easily afford the most expensive liquors. A gentleman drunk with ale has scarce ever been seen among us. The restraints upon the wine trade in Great Britain, besides, do not so much seem calculated to hinder the people from going, if I may say so, to the alehouse, as from going where they can buy the best and cheapest liquor. They favour the wine trade of Portugal, and discourage that of France. The Portuguese, it is said, indeed, are better customers for our manufactures than the French, and should therefore be encouraged in preference to them. As they give us their custom, it is pretended we should give them ours. The sneaking arts of underling tradesmen are thus erected into political maxims for the conduct of a great empire: for it is the most underling tradesmen only who make it a rule to employ chiefly their own customers. A great trader purchases his goods always where they are cheapest and best, without regard to any little interest of this kind.

By such maxims as these, however, nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century been more fatal to the repose of Europe, than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolising spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquillity of any body but themselves.[1]

[1] Merchants now very generally entertain more liberal and enlarged, and, at the same time, more correct views of their real interests. In proof of this it is sufficient to refer to the petition subscribed by all the most eminent merchants of London, and laid before the House of Commons in 1820. It recognises in the most unqualified manner the superior advantage of unrestricted competition; and prays for the repeal of all prohibitions and regulations intended to protect domestic industry, and for the abolition of all duties on importation not imposed for the sake of revenue. The presentation of such a petition marks an important æra in the history of commerce, inasmuch as it shows that there is no longer any discrepancy between the views entertained with respect to it by rational theorists, and the most intelligent practical men. Could Dr. Smith have foreseen that his principles would be espoused, and the mercantile system condemned, by the best informed and most extensive merchants in the world, he would, perhaps, have somewhat softened the severity of his remarks on mercantile rapacity in this and other paragraphs. The reader will find the petition referred to in a supplemental note.

That it was the spirit of monopoly which originally both invented and propagated this doctrine, cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is, and must be, the interest of the great body of the people, to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposite to that of the great body of the people. As it is the interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market. Hence, in Great Britain, and in most other European countries, the extraordinary duties upon almost all goods imported by alien merchants. Hence the high duties and prohibitions upon all those foreign manufactures which can come into competition with our own. Hence too the extraordinary restraints upon the importation of almost all sorts of goods from those countries with which the balance of trade is supposed to be disadvantageous; that is, from those against whom national animosity happens to be most violently inflamed.

The wealth of a neighbouring nation, however, though dangerous in war and politics, is certainly advantageous in trade. In a state of hostility it may enable our enemies to maintain fleets and armies superior to our own; but in a state of peace and commerce it must likewise enable them to exchange with us to a greater value, and to afford a better market, either for the immediate produce of our own industry, or for whatever is purchased with that produce. As a rich man is likely to be a better customer to the industrious people in his neighbourhood than a poor, so is likewise a rich nation. A rich man, indeed, who is himself a manufacturer, is a very dangerous neighbour to all those who deal in the same way. All the rest of the neighbourhood, however, by far the greatest number, profit by the good market which his expense affords them. They even profit by his underselling the poorer workmen who deal in the same way with him. The manufacturers of a rich nation, in the same manner, may no doubt be very dangerous rivals to those of their neighbours. This very competition, however is advantageous to the great body of the people, who profit greatly besides by the good market which the great expense of such a nation affords them in every other way. Private people who want to make a fortune, never think of retiring to the remote and poor provinces of the country, but resort either to the capital, or to some of the great commercial towns. They know, that where little wealth circulates, there is little to be got; but that where a great deal is in motion, some share of it may fall to them. The same maxims which would in this manner direct the common sense of one, or ten, or twenty individuals, should regulate the judgment of one, or ten, or twenty millions, and should make a whole nation regard the riches of its neighbours, as a probable cause and occasion for itself to acquire riches. A nation that would enrich itself by foreign trade, is certainly most likely to do so when its neighbours are all rich, industrious, and commercial nations. A great nation, surrounded on all sides by wandering savages and poor barbarians, might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade. It seems to have been in this manner that the ancient Egyptians and the modern Chinese acquired their great wealth. The ancient Egyptians, it is said, neglected foreign commerce, and the modern Chinese, it is known, hold it in the utmost contempt, and scarce deign to afford it the decent protection of the laws.[1] The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, so far as they are capable of producing their intended effect, tend to render that very commerce insignificant and contemptible.

It is in consequence of these maxims, that the commerce between France and England

[1] We doubt whether there be any good foundation for either of these assertions. The reader will find, in the supplemental note on the Navigation of the Ancient Egyptians, grounds stated for questioning the current opinion as to their being averse from navigation and foreign trade. It is now admitted by every one acquainted with such subjects, that the notion that the Chinese are inattentive to and despise foreign commerce, is wholly without foundation. On the contrary, they are eminently commercial. They carry on a very extensive intercourse in junks, or ships of their own built, with the Philippine Islands, Japan, Siam, Singapore, Batavia, &c.; and vast numbers of Chinese settlers have emigrated to, and settled in the principal places of the Eastern Archipelago, where they are distinguished by their superior industry, intelligence and enterprise. The Chinese are at present, and have long been in the East, what the Dutch formerly were in Europe — the carriers and merchants of the surrounding states. It suited the views of the companies to whom the monopoly of the trade with China was formerly assigned, here and in Holland, to represent the Chinese as hostile to commerce, and difficult to deal with, inasmuch as this afforded a kind of excuse for their peculiar privileges. But experience has shown, since the trade to China has been thrown open to all nations, that the representations referred to were entirely destitute of any good foundation; that the Chinese are not averse from strangers or commerce; and that, though their government be corrupt and ill-informed, and their customs and laws widely different from ours, business may be as easily, safely, and speedily transacted at Canton as at either London or New York.

has, in both countries, been subjected to so many discouragements and restraints. If those two countries, however, were to consider their real interest without either mercantile jealousy or national animosity, the commerce of France might be more advantageous to Great Britain than that of any other country, and, for the same reason, that of Great Britain to France. France is the nearest neighbour to Great Britain. In the trade between the southern coast of England and the northern and north-western coasts of France, the returns might be expected, in the same manner as in the inland trade, four, five, or six times in the year. The capital, therefore, employed in this trade could, in each of the two countries, keep in motion four, five, or six times the quantity of industry, and afford employment and subsistence to four, five, or six times the number of people, which an equal capital could do in the greater part of the other branches of foreign trade. Between the parts of France and Great Britain most remote from one another, the returns might be expected, at least, once in the year; and even this trade would so far be at least equally advantageous as the greater part of the other branches of our foreign European trade. It would be, at least, three times more advantageous than the boasted trade with our North American colonies, in which the returns were seldom made in less than three years, frequently not less than four or five years.[1] France, besides, is supposed to contain twenty-four millions of inhabitants.[2] Our North American colonies were never supposed to contain more than three millions[3]; and France is a much richer country than North America; though, on account of the more unequal distribution of riches, there is much more poverty and beggary in the one country than in the other. France, therefore, could afford a market at least eight times more extensive, and, on account of the superior frequency of the returns, four and twenty times more advantageous than that which our North American colonies ever afforded. The trade of Great Britain would be just as advantageous to France, and, in proportion to the wealth, population, and proximity of the respective countries, would have the same superiority over that which France carries on with her own colonies. Such is the very great difference between that trade which the wisdom of both nations has thought proper to discourage, and that which it has favoured the most.

But the very same circumstances which would have rendered an open and free commerce between the two countries so advantageous to both, have occasioned the principal obstructions to that commerce. Being neighbours, they are necessarily enemies, and the wealth and power of each becomes, upon that account, more formidable to the other; and what would increase the advantage of national friendship serves only to inflame the violence of national animosity. They are both rich and industrious nations; and the merchants and manufacturers of each dread the competition of the skill and activity of those of the other. Mercantile jealousy is excited, and both inflames, and is itself inflamed, by the violence of national animosity; and the traders of both countries have announced, with all the passionate confidence of interested falsehood, the certain ruin of each, in consequence of that unfavourable balance of trade, which, they pretend, would be the infallible effect of an unrestrained commerce with the other.

There is no commercial country in Europe of which the approaching ruin has not frequently been foretold by the pretended doctors of this system, from an unfavourable balance of trade. After all the anxiety, however, which they have excited about this, after all the vain attempts of almost all trading nations to turn that balance in their own favour, and against their neighbours, it does not appear that any one nation in Europe has been, in any respect, impoverished by this cause. Every town and country, on the contrary, in proportion as they have opened their ports to all nations, instead of being ruined by this free trade, as the principles of the commercial system would lead us to expect, have been enriched by it. Though there are in Europe, indeed, a few towns which in some respects deserve the name of free ports, there is no country which does so. Holland, perhaps, approaches the nearest to this character of any, though still very remote from it; and Holland, it is acknowledged, not only derives its whole wealth, but a great part of its necessary subsistence, from foreign trade.

There is another balance, indeed, which has already been explained, very different from the balance of trade, and which, according as it happens to be either favourable or unfavourable, necessarily occasions the prosperity or decay of every nation. This is the balance of the annual produce and consumption. If the exchangeable value of the annual produce, it has already been observed, exceeds that of the annual consumption, the capital of the society must annually increase in proportion to this excess. The society in this case lives within its revenue; and what is annually saved out of its revenue, is naturally added to its capital, and employed so as to increase still further the

[1] See *ante*, note 2d, p. 164.

[2] The population of France amounted, according to the census of 1802, to 37,472,782.

[3] The population of the United States in 1860 amounted to 31,440,597.

annual produce. If the exchangeable value of the annual produce, on the contrary, fall short of the annual consumption, the capital of the society must annually decay in proportion to this deficiency. The expense of the society in this case exceeds its revenue, and necessarily encroaches upon its capital. Its capital, therefore, must necessarily decay, and, together with it, the exchangeable value of the annual produce of its industry.

This balance of produce and consumption is entirely different from what is called the balance of trade. It might take place in a nation which had no foreign trade, but which was entirely separated from all the world. It may take place in the whole globe of the earth, of which the wealth, population, and improvement may be either gradually increasing or gradually decaying.

The balance of produce and consumption may be constantly in favour of a nation, though what is called the balance of trade be generally against it. A nation may import to a greater value than it exports for half a century, perhaps, together; the gold and silver which comes into it during all this time may be all immediately sent out of it; its circulating coin may gradually decay, different sorts of paper money being substituted in its place, and even the debts, too, which it contracts in the principal nations with whom it deals, may be gradually increasing; and yet its real wealth, the exchangeable value of the annual produce of its lands and labour, may, during the same period, have been increasing in a much greater proportion. The state of our North American colonies, and of the trade which they carried on with Great Britain, before the commencement of the present disturbances,[1] may serve as a proof that this is by no means an impossible supposition.

CHAP. IV.

Of Drawbacks.

MERCHANTS and manufacturers are not contented with the monopoly of the home market, but desire likewise the most extensive foreign sale for their goods. Their country has no jurisdiction in foreign nations, and therefore can seldom procure them any monopoly there. They are generally obliged, therefore, to content themselves with petitioning for certain encouragements to exportation.

Of these encouragements what are called Drawbacks seem to be the most reasonable. To allow the merchant to draw back upon exportation, either the whole or a part of whatever excise or inland duty is imposed upon domestic industry, can never occasion the exportation of a greater quantity of goods than what would have been exported had no duty been imposed. Such encouragements do not tend to turn towards any particular employment a greater share of the capital of the country than what would go to that employment of its own accord, but only to hinder the duty from driving away any part of that share to other employments. They tend not to overturn that balance which naturally establishes itself among all the various employments of the society, but to hinder it from being overturned by the duty; they tend not to destroy, but to preserve, what it is in most cases advantageous to preserve, the natural division and distribution of labour in the society.

The same thing may be said of the drawbacks upon the re-exportation of foreign goods imported; which in Great Britain generally amount to by much the largest part of the duty upon importation. By the second of the rules annexed to the act of parliament, which imposed what is now called the old subsidy, every merchant, whether English or alien, was allowed to draw back half that duty upon exportation; the English merchant, provided the exportation took place within twelve months; the alien, provided it took place within nine months. Wines, currants, and wrought silks were the only goods which did not fall within this rule, having other and more advantageous allowances. The duties imposed by this act of parliament were, at that time, the only duties upon the importation of foreign goods. The term within which this, and all other drawbacks, could be claimed, was afterwards (by 7 G. 1. c. 21. s. 10.) extended to three years.[2]

The duties which have been imposed since the old subsidy, are, the greater part of them, wholly drawn back upon exportation. This general rule, however is liable to a great number of exceptions, and the doctrine of drawbacks has become a much less simple matter than it was at their first institution.

Upon the exportation of some foreign goods, of which it was expected that the importation would greatly exceed what was necessary for the home consumption, the whole duties are drawn back, without retaining even half the old subsidy. Before the revolt of our North American colonies,

[1] This paragraph was written in the year 1775. (Note by the author.)

[2] In 1787, to obviate the trouble and inconvenience arising from the multiplicity of acts relative to the customs, Mr. Pitt introduced a bill for their consolidation. Several similar consolidations have been effected at subsequent periods, and the number of customs duties has latterly been so much reduced, that at present (1863) the tariff comprises little more than 40 articles, of which 11 only are of any importance. In consequence, the distinctions to which Smith alludes between old and new duties have been wholly done away; and the drawbacks, of which there are extremely few, have reference only to the entire amount of the duty.

we had the monopoly of the tobacco of Maryland and Virginia. We imported about ninety-six thousand hogsheads, and the home consumption was not supposed to exceed fourteen thousand. To facilitate the great exportation which was necessary, in order to rid us of the rest, the whole duties were drawn back, provided the exportation took place within three years.

We still have, though not altogether, yet very nearly, the monopoly of the sugars of our West Indian islands. If sugars are exported within a year, therefore, all the duties upon importation are drawn back, and if exported within three years, all the duties, except half the old subsidy, which still continues to be retained upon the exportation of the greater part of goods. Though the importation of sugar exceeds, a good deal, what is necessary for the home consumption, the excess is inconsiderable, in comparison of what it used to be in tobacco.[1]

Some goods, the particular objects of the jealousy of our own manufacturers, are prohibited to be imported for home consumption. They may, however, upon paying certain duties, be imported and warehoused for exportation. But upon such exportation, no part of these duties are drawn back. Our manufacturers are unwilling, it seems, that even this restricted importation should be encouraged, and are afraid lest some part of these goods should be stolen out of the warehouse, and thus come into competition with their own. It is under these regulations only that we can import wrought silks, French cambrics and lawns, calicos painted, printed, stained, or dyed, &c.

We are unwilling even to be the carriers of French goods, and choose rather to forego a profit to ourselves, than to suffer those whom we consider as our enemies to make any profit by our means. Not only half the old subsidy, but the second twenty-five per cent., is retained upon the exportation of all French goods.[2]

By the fourth of the rules annexed to the old subsidy, the drawback allowed upon the exportation of all wines amounted to a great deal more than half the duties which were, at that time, paid upon their importation; and it seems, at that time, to have been the object of the legislature to give somewhat more than ordinary encouragement to the carrying trade in wine. Several of the other duties too, which were imposed, either at the same time, or subsequent to the old subsidy; what is called the additional duty, the new subsidy, the one-third and the two-thirds subsidies, the impost 1692, the coinage on wine, were allowed to be wholly drawn back upon exportation. All those duties, however, except the additional duty, and impost 1692, being paid down in ready money, upon importation, the interest of so large a sum occasioned an expense, which made it unreasonable to expect any profitable carrying trade in this article. Only a part, therefore, of the duty called the impost on wine, and no part of the twenty-five pounds the tun upon the French wines, or of the duties imposed in 1745, in 1763, and in 1778, were allowed to be drawn back upon exportation. The two imposts of five per cent., imposed in 1779 and 1781, upon all the former duties of customs, being allowed to be wholly drawn back upon the exportation of all other goods, were likewise allowed to be drawn back upon that of wine. The last duty that has been particularly imposed upon wine, that of 1780, is allowed to be wholly drawn back, —an indulgence which, when so many heavy duties are retained, most probably could never occasion the exportation of a single tun of wine. These rules take place with regard to all places of lawful exportation, except the British colonies in America.[3]

The 15th Charles II. chap. 7. called an act for the encouragement of trade, had given Great Britain the monopoly of supplying the colonies with all the commodities of the growth or manufacture of Europe; and, consequently, with wines. In a country of so extensive a coast as our North American and West Indian colonies, where our authority was always so very slender, and where the inhabitants were allowed to carry out, in their own ships, their non-enumerated commodities, at first, to all parts of Europe, and afterwards, to all parts of Europe south of Cape Finisterre, it is not very probable that this monopoly could ever be much respected; and they probably, at all times, found means of bringing back some cargo from the countries to which they were allowed to carry out one. They seem, however, to have found some difficulty in importing European wines from the places of their growth, and they could not well import them from Great Britain, where they were loaded with many heavy duties, of which a considerable part was not drawn back upon exportation. Madeira wine, not being a European commodity, could be imported directly into America and the West

[1] For an account of the imports of tobacco and sugar into the U. Kingdom, with the entries for home consumption, and the revenue derived therefrom, see *Commercial Dictionary*.

[2] These restrictions are now repealed.

[3] The discriminating duty on French wine, imposed by the Methuen treaty in 1703, was, perhaps, the most objectionable of the old duties and regulations. Its impolicy was set in a very striking point of view by Hume in his Essay on the Balance of Trade, published in 1752. But such was the strength of the interests and prejudices arrayed on its side, that it was not abolished till 1831. The same equal duty of 5*s*. 6*d*. per gallon was then imposed on all varieties of wine. This system was changed in 1860, wine being since admitted at duties of 1*s*. and 2*s*. 6*d*. per gallon, according to the alcohol it contains. And it is a curious fact that under this system the finest French wines, which have but little alcohol, are admitted at the low duty of 1*s*. per gallon, whereas port, sherry, and most other wines pay 2*s*. 6*d*. per gallon! See further, the Treatise on Taxation, by the editor of this work, 3rd ed., p. 380.

Indies, countries which, in all their non-enumerated commodities, enjoyed a free trade to the island of Madeira. These circumstances had, probably, introduced that general taste for Madeira wine, which our officers found established in all our colonies at the commencement of the war, which began in 1755, and which they brought back with them to the mother country, where that wine had not been much in fashion before. Upon the conclusion of that war, in 1763 (by the 4 Geo. III. chap. xv. sect. 12.) all the duties, except 3*l.* 10*s.* were allowed to be drawn back, upon the exportation to the colonies of all wines, except French wines, to the commerce and consumption of which national prejudice would allow no sort of encouragement. The period between the granting of this indulgence and the revolt of our North American colonies, was, probably, too short to admit of any considerable change in the customs of those countries.

The same act, which, in the drawback upon all wines, except French wines, thus favoured the colonies so much more than other countries, in those upon the greater part of other commodities, favoured them much less. Upon the exportation of the greater part of commodities to other countries, half the old subsidy was drawn back. But this law enacted, that no part of that duty should be drawn back upon the exportation to the colonies of any commodities, of the growth or manufacture either of Europe or the East Indies, except wines, white calicoes, and muslins.

Drawbacks were, perhaps, originally granted for the encouragement of the carrying trade, which, as the freight of the ships is frequently paid by foreigners in money, was supposed to be peculiarly fitted for bringing gold and silver into the country. But though the carrying trade certainly deserves no peculiar encouragement, though the motive of the institution was, perhaps, abundantly foolish, the institution itself seems reasonable enough. Such drawbacks cannot force into this trade a greater share of the capital of the country than what would have gone to it of its own accord, had there been no duties upon importation. They only prevent its being excluded altogether by those duties. The carrying trade, though it deserves no preference, ought not to be precluded, but to be left free like all other trades. It is a necessary resource for those capitals which cannot find employment either in the agriculture or in the manufactures of the country, either in its home trade or in its foreign trade of consumption.

The revenue of the customs, instead of suffering, profits from such drawbacks, by that part of the duty which is retained. If the whole duties had been retained, the foreign goods upon which they are paid could seldom have been exported, nor consequently imported, for want of a market. The duties, therefore, of which a part is retained, would never have been paid.

These reasons seem sufficiently to justify drawbacks, and would justify them, though the whole duties, whether upon the produce of domestic industry, or upon foreign goods, were always drawn back upon exportation. The revenue of excise would, in this case, indeed, suffer a little, and that of the customs a good deal more; but the natural balance of industry, the natural division and distribution of labour, which is always more or less disturbed by such duties, would be more nearly re-established by such a regulation.

These reasons, however, will justify drawbacks only upon exporting goods to those countries which are altogether foreign and independent, not to those in which our merchants and manufacturers enjoy a monopoly. A drawback, for example, upon the exportation of European goods to our American colonies, will not always occasion a greater exportation than what would have taken place without it. By means of the monopoly which our merchants and manufacturers enjoy there, the same quantity might frequently, perhaps, be sent thither, though the whole duties were retained. The drawback, therefore, may frequently be pure loss to the revenue of excise and customs, without altering the state of the trade or rendering it in any respect more extensive. How far such drawbacks can be justified, as a proper encouragement to the industry of our colonies, or how far it is advantageous to the mother country, that they should be exempted from taxes which are paid by all the rest of their fellow-subjects, will appear hereafter when I come to treat of colonies.

Drawbacks, however, it must always be understood, are useful only in those cases in which the goods for the exportation of which they are given, are really exported to some foreign country, and not clandestinely re-imported into our own. That some drawbacks, particularly those upon tobacco, have frequently been abused in this manner, and have given occasion to many frauds equally hurtful both to the revenue and to the fair trader, is well known.

CHAP. V.

Of Bounties.

BOUNTIES upon exportation are, in Great Britain, frequently petitioned for, and sometimes granted to the produce of particular branches of domestic industry. By means

of them our merchants and manufacturers, it is pretended, will be enabled to sell their goods as cheap, or cheaper than their rivals in the foreign market. A greater quantity, it is said, will thus be exported, and the balance of trade consequently turned more in favour of our own country. We cannot give our workmen a monopoly in the foreign, as we have done in the home market. We cannot force foreigners to buy their goods, as we have done our own countrymen. The next best expedient, it has been thought, therefore, is to pay them for buying. It is in this manner that the mercantile system proposes to enrich the whole country, and to put money into all our pockets by means of the balance of trade.

Bounties, it is allowed, ought to be given to those branches of trade only which cannot be carried on without them. But every branch of trade in which the merchant can sell his goods for a price which replaces to him, with the ordinary profits of stock, the whole capital employed in preparing and sending them to market, can be carried on without a bounty. Every such branch is evidently upon a level with all the other branches of trade which are carried on without bounties, and cannot, therefore, require one more than they. Those trades only require bounties in which the merchant is obliged to sell his goods for a price which does not replace to him his capital, together with the ordinary profit; or in which he is obliged to sell them for less than it really costs him to send them to market. The bounty is given in order to make up this loss, and to encourage him o continue or perhaps to begin, a trade of which the expense is supposed to be greater than the returns, of which every operation eats up a part of the capital employed in it, and which is of such a nature, that, if all other trades resembled it, there would soon be no capital left in the country.

The trades, it is to be observed, which are carried on by means of bounties, are the only ones which can be carried on between two nations for any considerable time together, in such a manner as that one of them shall always and regularly lose, or sell its goods for less than it really costs to send them to market. But if the bounty did not repay to the merchant what he would otherwise lose upon the price of his goods, his own interest would soon oblige him to employ his stock in another way, or to find out a trade in which the price of the goods would replace to him, with the ordinary profit, the capital employed in sending them to market. The effect of bounties, like that of all the other expedients of the mercantile system, can only be to force the trade of a country into a channel much less advantageous than that in which it would naturally run of its own accord.

The ingenious and well-informed author of the tracts upon the corn trade has shown very clearly, that since the bounty upon the exportation of corn was first established, the price of the corn exported, valued moderately enough, has exceeded that of the corn imported, valued very high, by a much greater sum than the amount of the whole bounties which had been paid during that period.[1] This, he imagines, upon the true principles of the mercantile system, is a clear proof that this forced corn trade is beneficial to the nation; the value of the exportation exceeding that of the importation by a much greater sum than the whole extraordinary expense which the public has been at in order to get it exported. He does not consider that this extraordinary expense, or the bounty, is the smallest part of the expense which the exportation of corn really costs the society. The capital which the farmer employed in raising it, must likewise be taken into the account. Unless the price of the corn when sold in the foreign markets replaces, not only the bounty, but this capital, together with the ordinary profits of stock, the society is a loser by the difference, or the national stock is so much diminished. But the very reason for which it has been thought necessary to grant a bounty, is the supposed insufficiency of the price to do this.

The average price of corn, it has been said, has fallen considerably since the establishment of the bounty. That the average price of corn began to fall somewhat towards the end of the last century, and has continued to do so during the course of the sixty-four first years of the present, I have already endeavoured to show. But this event, supposing it to be as real as I believe it to be, must have happened in spite of the bounty, and cannot possibly have happened in consequence of it. It has happened in France, as well as in England, though, in France there was, not only no bounty, but, till 1764, the exportation of corn was subjected to a general prohibition. This gradual fall in the average price of grain, it is probable, therefore, is ultimately owing neither to the one regulation nor to the other, but to that gradual and insensible rise in the real value of silver, which, in the first book of this discourse, I have endeavoured to show has taken place in the general market of Europe, during the course of the present century.

[1] This work justifies the eulogy passed upon its author by Smith. It is by far the best of the earlier works on the corn trade. It embodies much valuable information in regard to the corn laws of England and other countries, especially France; the prices, imports, and exports of corn; the sums paid in bounties on exportation; the numbers of the people using different sorts of corn, &c. A new and enlarged edition of the work, with a life of the author, was published in 1804.

Since 1766, when the second edition of the Tracts on the Corn Trade was published, very great changes have taken place in that trade in Great Britain. From being a regularly exporting, we have been, from 1765 or 1770, an all but regularly importing country. See Supplemental Note on Corn Laws.

It seems to be altogether impossible that the bounty could ever contribute to lower the price of grain.

In years of plenty, it has already been observed, the bounty, by occasioning an extraordinary exportation, necessarily keeps up the price of corn in the home market above what it would naturally fall to. To do so was the avowed purpose of the institution. In years of scarcity, though the bounty is frequently suspended, yet the great exportation which it occasions in years of plenty must frequently hinder more or less the plenty of one year from relieving the scarcity of another. Both in years of plenty and in years of scarcity, therefore, the bounty necessarily tends to raise the money price of corn somewhat higher than it otherwise would be in the home market.

That, in the actual state of tillage, the bounty must necessarily have this tendency, will not, I apprehend, be disputed by any reasonable person. But it has been thought by many people that it tends to encourage tillage, and that in two different ways: first, by opening a more extensive foreign market to the corn of the farmer, it tends, they imagine, to increase the demand for, and consequently the production of, that commodity; and, secondly, by securing to him a better price than he could otherwise expect in the actual state of tillage, it tends, they suppose, to encourage tillage. This double encouragement must, they imagine, in a long period of years, occasion such an increase in the production of corn, as may lower its price in the home market, much more than the bounty can raise it, in the actual state which tillage may, at the end of that period, happen to be in.

I answer, that whatever extension of the foreign market can be occasioned by the bounty, must, in every particular year, be altogether at the expense of the home market; as every bushel of corn which is exported by means of the bounty, and which would not have been exported without the bounty, would have remained in the home market to increase the consumption, and to lower the price of that commodity.[1] The corn bounty, it is to be observed, as well as every other bounty upon exportation, imposes two different taxes upon the people: first, the tax which they are obliged to contribute, in order to pay the bounty; and secondly, the tax which arises from the advanced price of the commodity in the home market, and which, as the whole body of the people are purchasers of corn, must, in this particular commodity, be paid by the whole body of the people. In this particular commodity, therefore, this second tax is by much the heaviest of the two. Let us suppose that, taking one year with another, the bounty of five shillings upon the exportation of the quarter of wheat raises the price of that commodity in the home market only sixpence the bushel, or four shillings the quarter, higher than it otherwise would have been in the actual state of the crop. Even upon this very moderate supposition, the great body of the people, over and above contributing the tax which pays the bounty of five shillings upon every quarter of wheat exported, must pay another of four shillings upon every quarter which they themselves consume. But, according to the very well informed author of the tracts upon the corn trade, the average proportion of the corn exported to that consumed at home is not more than that of one to thirty-one. For every five shillings, therefore, which they contribute to the payment of the first tax, they must contribute six pounds four shillings to the payment of the second. So very heavy a tax upon the first necessary of life, must either reduce the subsistence of the labouring poor, or it must occasion some augmentation in their pecuniary wages, proportionable to that in the pecuniary price of their subsistence. So far as it operates in the one way, it must reduce the ability of the labouring poor to educate and bring up their children, and must, so far, tend to restrain the population of the country. So far as it operates in the other, it must reduce the ability of the employers of the poor, to employ so great a number as they otherwise might do, and must, so far, tend to restrain the industry of the country. The extraordinary exportation of corn therefore, occasioned by the bounty, not only in every particular year, diminishes the home, just as much as it extends the foreign, market and consumption, but, by restraining the population and industry of the country, its final tendency is to stunt and restrain the gradual extension of the home market; and thereby, in the long run, rather to diminish than to augment the whole market and consumption of corn.

This enhancement of the money price of corn, however, it has been thought, by rendering that commodity more profitable to the farmer, must necessarily encourage its production.

I answer, that this might be the case if the effect of the bounty was to raise the real price of corn, or to enable the farmer, with an equal quantity of it, to maintain a greater number of labourers in the same manner,

[1] But if the bounty cause an increased exportation of corn, it also causes an increased production. It is true, however, inasmuch as a larger quantity of corn can seldom be obtained without resorting to inferior lands requiring a greater amount of capital and labour for their cultivation, that average prices are commonly raised by means of a bounty; but they are never raised to its whole, and seldom, perhaps, to more than half its amount. See supplemental note on the Corn Laws.

whether more liberal, moderate, or scanty, that other labourers are commonly maintained in his neighbourhood. But neither the bounty, it is evident, nor any other human institution can have any such effect. It is not the real but the nominal price of corn, which can in any considerable degree be affected by the bounty.[1] And though the tax which that institution imposes upon the whole body of the people may be very burdensome to those who pay it, it is of very little advantage to those who receive it.

The real effect of the bounty is not so much to raise the real value of corn, as to degrade the real value of silver; or to make an equal quantity of it exchange for a smaller quantity, not only of corn, but of all other home-made commodities: for the money price of corn regulates that of all other home-made commodities.[2]

It regulates the money price of labour, which must always be such as to enable the labourer to purchase a quantity of corn sufficient to maintain him and his family either in the liberal, moderate, or scanty manner in which the advancing, stationary or declining circumstances of the society oblige his employers to maintain him.

It regulates the money price of all the other parts of the rude produce of land, which, in every period of improvement, must bear a certain proportion to that of corn, though this proportion is different in different periods. It regulates, for example, the money price of grass and hay, of butcher's meat, of horses, and the maintenance of horses, of land carriage consequently, or of the greater part of the inland commerce of the country.

But regulating the money price of all the other parts of the rude produce of land, it regulates that of the materials of almost all manufactures. By regulating the money price of labour, it regulates that of manufacturing art and industry; and by regulating both, it regulates that of the complete manufacture. The money price of labour, and of every thing that is the produce either of land or labour, must necessarily either rise or fall in proportion to the money price of corn.

Though in consequence of the bounty, therefore, the farmer should be enabled to sell his corn for four shillings the bushel instead of three and sixpence, and to pay his landlord a money rent proportionable to this rise in the money price of his produce; yet if, in consequence of this rise in the price of corn, four shillings will purchase no more home-made goods of any other kind than three and sixpence would have done before, neither the circumstances of the farmer nor those of the landlord will be much mended by this change. The farmer will not be able to cultivate much better: the landlord will not be able to live much better. In the purchase of foreign commodities this enhancement in the price of corn may give them some little advantage: in that of home-made commodities it can give them none at all; and almost the whole expense of the farmer, and the far greater part even of that of the landlord, is in home-made commodities.

That degradation in the value of silver which is the effect of the fertility of the mines, and which operates equally, or very near equally, through the greater part of the commercial world, is a matter of very little consequence to any particular country. The consequent rise of all money prices, though it does not make those who receive them really richer, does not make them really poorer. A service of plate becomes really cheaper, and every thing else remains precisely of the same real value as before.

But that degradation in the value of silver which, being the effect either of the peculiar situation or of the political institutions of a particular country, takes place only in that country, is a matter of very great consequence, which, far from tending to make any body really richer, tends to make every body really poorer. The rise in the money price of all commodities, which is in this case peculiar to that country, tends to discourage more or less every sort of industry which is carried on within it, and to enable foreign nations, by furnishing almost all sorts of goods for a smaller quantity of silver than its own workmen can afford to do, to undersell them, not only in the foreign, but even in the home market.

It is the peculiar situation of Spain and Portugal, as proprietors of the mines, to be the distributors of gold and silver to all the other countries of Europe. Those metals ought naturally, therefore, to be somewhat cheaper in Spain and Portugal than in any other part of Europe. The difference, however, should be no more than the amount of the freight and insurance; and, on account of the great value and small bulk of those metals, their freight is no great matter, and their insurance is the same as that of any other goods of equal value. Spain and Portugal, therefore, could suffer very little from their peculiar situation, if they did not aggravate its disadvantages by their political institutions.

Spain by taxing, and Portugal by prohibiting the exportation of gold and silver, load that exportation with the expense of

[1] Dr. Smith here confounds the utility of corn, or its capacity to feed and support human beings, with its price, or value, as compared with other things. The former does not vary; but the latter varies with every variation in the fertility of the soils on which corn is raised, and with every improvement in agriculture.

[2] This is an error. The money price of corn does not regulate the money price of other things. See supplemental note on the Corn Laws.

smuggling, and raise the value of those metals in other countries so much more above what it is in their own, by the whole amount of this expense. When you dam up a stream of water, as soon as the dam is full, as much water must run over the dam-head as if there was no dam at all. The prohibition of exportation cannot detain a greater quantity of gold and silver in Spain and Portugal than what they can afford to employ, than what the annual produce of their land and labour will allow them to employ, in coin, plate, gilding, and other ornaments of gold and silver. When they have got this quantity the dam is full, and the whole stream which flows in afterwards must run over. The annual exportation of gold and silver from Spain and Portugal accordingly is, by all accounts, notwithstanding these restraints, very near equal to the whole annual importation. As the water, however, must always be deeper behind the dam-head than before it, so the quantity of gold and silver which these restraints detain in Spain and Portugal must, in proportion to the annual produce of their land and labour, be greater than what is to be found in other countries. The higher and stronger the dam-head, the greater must be the difference in the depth of water behind and before it. The higher the tax, the higher the penalties with which the prohibition is guarded, the more vigilant and severe the police which looks after the execution of the law, the greater must be the difference in the proportion of gold and silver to the annual produce of the land and labour of Spain and Portugal, and to that of other countries. It is said accordingly to be very considerable, and that you frequently find there a profusion of plate in houses, where there is nothing else which would, in other countries, be thought suitable or correspondent to this sort of magnificence. The cheapness of gold and silver, or, what is the same thing, the dearness of all commodities, which is the necessary effect of this redundancy of the precious metals, discourages both the agriculture and manufactures of Spain and Portugal, and enables foreign nations to supply them with many sorts of rude, and with almost all sorts of manufactured produce, for a smaller quantity of gold and silver than what they themselves can either raise or make them for at home.[1] The tax and prohibition operate in two different ways: they not only lower very much the value of the precious metals in Spain and Portugal, but by detaining there a certain quantity of those metals which would otherwise flow over other countries, they keep up their value in those other countries somewhat above what it otherwise would be, and thereby give those countries a double advantage in their commerce with Spain and Portugal. Open the flood-gates, and there will presently be less water above, and more below, the dam-head, and it will soon come to a level in both places. Remove the tax and the prohibition, and as the quantity of gold and silver will diminish considerably in Spain and Portugal, so it will increase somewhat in other countries, and the value of those metals, their proportion to the annual produce of land and labour, will soon come to a level, or very near to a level, in all. The loss which Spain and Portugal could sustain by this exportation of their gold and silver would be altogether nominal and imaginary. The nominal value of their goods, and of the annual produce of their land and labour, would fall, and would be expressed or represented by a smaller quantity of silver than before: but their real value would be the same as before, and would be sufficient to maintain, command, and employ, the same quantity of labour. As the nominal value of their goods would fall, the real value of what remained of their gold and silver would rise, and a smaller quantity of those metals would answer all the same purposes of commerce and circulation which had employed a greater quantity before. The gold and silver which would go abroad would not go abroad for nothing, but would bring back an equal value of goods of some kind or another. Those goods too would not be all matters of mere luxury and expense, to be consumed by idle people who produce nothing in return for their consumption. As the real wealth and revenue of idle people would not be augmented by this extraordinary exportation of gold and silver, so neither would their consumption be much augmented by it. Those goods would, probably, the greater part of them, and certainly some part of them, consist in materials, tools, and provisions, for the employment and maintenance of industrious people, who would reproduce, with a profit, the full value of their consumption. A part of the dead stock of the society would thus be turned into active stock, and would put into motion a greater

[1] It is quite impossible that the restrictions alluded to in the text, or any similar restrictions, however rigidly enforced, could have had the effect ascribed to them by Dr. Smith. If the restrictions on the exportation of gold and silver from Spain and Portugal really sunk their value there as compared with their value in other countries, then, as the goods imported into them must have exchanged for a proportionally greater quantity of such depreciated gold and silver, it is plain that the demand for them would neither be greater nor less than if there had been no depreciation. To suppose that the trade of a country should be permanently affected by regulations which reduce the value of gold and silver in it below their natural level, is equivalent to supposing that it might be permanently affected by degrading the standard of its coin. The real disadvantage of restrictions on the exportation of the precious metals consists, in so far as they add factitiously to their supply, to deprive the country of the value of the commodities it would obtain in exchange for the surplus metals.

quantity of industry than had been employed before. The annual produce of their land and labour would immediately be augmented a little, and in a few years would, probably, be augmented a great deal; their industry being thus relieved from one of the most oppressive burdens which it at present labours under.

The bounty upon the exportation of corn necessarily operates exactly in the same way as this absurd policy of Spain and Portugal. Whatever be the actual state of tillage, it renders our corn somewhat dearer in the home market than it otherwise would be in that state, and somewhat cheaper in the foreign; and as the average money price of corn regulates more or less that of all other commodities, it lowers the value of silver considerably in the one, and tends to raise it a little in the other. In enables foreigners, the Dutch in particular, not only to eat our corn cheaper than they otherwise could do, but sometimes to eat it cheaper than even our own people can do upon the same occasions; as we are assured by an excellent authority, that of Sir Matthew Decker. It hinders our own workmen from furnishing their goods for so small a quantity of silver as they otherwise might do, and enables the Dutch to furnish theirs for a smaller. It tends to render our manufactures somewhat dearer in every market, and theirs somewhat cheaper than they otherwise would be, and consequently to give their industry a double advantage over our own.[1]

The bounty, as it raises in the home market, not so much the real as the nominal price of our corn, as it augments, not the quantity of labour which a certain quantity of corn can maintain and employ, but only the quantity of silver which it will exchange for, it discourages our manufactures without rendering any considerable service either to our farmers or country gentlemen. It puts, indeed, a little more money into the pockets of both, and it will, perhaps, be somewhat difficult to persuade the greater part of them that this is not rendering them a very considerable service. But if this money sinks in its value, in the quantity of labour, provisions, and home-made commodities of all different kinds which it is capable of purchasing, as much as it rises in its quantity, the service will be little more than nominal and imaginary.

There is, perhaps, but one set of men in the whole commonwealth to whom the bounty either was or could be essentially serviceable. These were the corn merchants, the exporters and importers of corn. In years of plenty, the bounty necessarily occasioned a greater exportation than would otherwise have taken place; and by hindering the plenty of one year from relieving the scarcity of another, it occasioned in years of scarcity a greater importation than would otherwise have been necessary. It increased the business of the corn merchant in both; and in years of scarcity, it not only enabled him to import a greater quantity, but to sell it for a better price, and consequently with a greater profit than he could otherwise have made, if the plenty of one year had not been more or less hindered from relieving the scarcity of another.[2] It is in this set of men, accordingly, that I have observed the greatest zeal for the continuance or renewal of the bounty.

Our country gentlemen, when they imposed the high duties upon the importation of foreign corn, which in times of moderate plenty amount to a prohibition, and when they established the bounty, seem to have imitated the conduct of our manufacturers. By the one institution, they secured to themselves the monopoly of the home market, and by the other they endeavoured to prevent that market from ever being overstocked with their commodity. By both they endeavoured to raise its real value, in the same manner as our manufacturers had, by the like institutions, raised the real value of many different sorts of manufactured goods. They did not, perhaps, attend to the great and essential difference which nature has established between corn and almost every other sort of goods. When, either by the monopoly of the home market, or by a bounty upon exportation, you enable our woollen or linen manufacturers to sell their goods for somewhat a better price than they otherwise could get for them, you raise, not only the nominal but the real price of those goods. You render them equivalent to a greater quantity of labour and subsistence; you increase not only the nominal but the real profit, the real wealth and revenue of those manufacturers; and you enable them either to live better themselves, or to employ a greater quantity of labour in those particular manufactures.[3] You really encourage those manufactures, and direct

[1] The bounty tended to lower profits, but not to raise the price of any commodity except corn.

[2] A permanent and equal bounty, like that which was long established in this country, could not have these effects. Its operation must have been uniform and steady. *It is* true, that on the whole it must have occasioned a greater exportation than would have taken place without it; but not a greater exportation at one time than at another.

[3] There is a great deal of exaggeration in this statement. The influence of a bounty on the exportation of manufactured goods, on their price, and on the profits of the manufacturer, very soon ceases. The rise of price which the bounty occasions, in the first instance, is sure speedily to attract as much additional capital to the favoured business as is sufficient to supply the increased demand for goods; and, *at the same time, to reduce the profits* of the manufacturer and merchant to the common level; so that, unless some addition be made to the cost of producing the goods, their price necessarily, and not very slowly, sinks to its old level. It is seldom, however, that any thing occurs in manufactures to cause an increased difficulty of production, when an

towards them a greater quantity of the industry of the country, than what would probably go to them of its own accord; but when by the like institutions you raise the nominal or money price of corn, you do not raise its real value — you do not increase the real wealth, the real revenue either of our farmers or country gentlemen — you do not encourage the growth of corn, because you do not enable them to maintain and employ more labourers in raising it. The nature of things has stamped upon corn a real value which cannot be altered by merely altering its money price. No bounty upon exportation, no monopoly of the home market, can raise that value. The freest competition cannot lower it. Through the world in general that value is equal to the quantity of labour which it can maintain; and in every particular place it is equal to the quantity of labour which it can maintain in the way, whether liberal, moderate, or scanty, in which labour is commonly maintained in that place. Woollen or linen cloth are not the regulating commodities by which the real value of all other commodities must be finally measured and determined; corn is. The real value of every other commodity is finally measured and determined by the proportion which its average money price bears to the average money price of corn. The real value of corn does not vary with those variations in its average money price, which sometimes occur from one century to another. It is the real value of silver which varies with them.[1]

Bounties upon the exportation of any home-made commodity are liable, first, to that general objection which may be made to all the different expedients of the mercantile system; the objection of forcing some part of the industry of the country into a channel less advantageous than that in which it would run of its own accord: and, secondly, to the particular objection of forcing it, not only into a channel that is less advantageous, but into one that is actually disadvantageous; the trade which cannot be carried on but by means of a bounty being necessarily a losing trade. The bounty upon the exportation of corn is liable to this further objection, that it can in no respect promote the raising of that particular commodity of which it was meant to encourage the production. When our country gentlemen, therefore, demanded the establishment of the bounty, though they acted in imitation of our merchants and manufacturers, they did not act with that complete comprehension of their own interest which commonly directs the conduct of those two other orders of people. They loaded the public revenue with a very considerable expense; they imposed a very heavy tax upon the whole body of the people; but they did not, in any sensible degree, increase the real value of their own commodity; and by lowering somewhat the real value of silver, they discouraged, in some degree, the general industry of the country, and, instead of advancing, retarded more or less the improvement of their own lands, which necessarily depends upon the general industry of the country.[2]

To encourage the production of any commodity, a bounty upon production, one should imagine, would have a more direct operation than one upon exportation. It would, besides, impose only one tax upon the people, that which they must contribute in order to pay the bounty. Instead of raising, it would tend to lower the price of the commodity in the home market; and thereby, instead of imposing a second tax upon the people it might, at least in part, repay them for what they had contributed to the first. Bounties upon production, however, have been very rarely granted. The prejudices established by the commercial system have taught us to believe, that national wealth arises more immediately from exportation than from production. It has been more favoured accordingly, as the more immediate means of bringing money into the country. Bounties upon production, it has been said too, have been found by experi-

increased quantity of produce is required. But inasmuch as an additional supply of corn can rarely be obtained without resorting to inferior lands, this is usually the case in agriculture. And hence it follows, that the granting of a bounty on the exportation of raw produce occasions a faulty distribution of the national capital, by attracting more of it to agriculture than would naturally have gone, while, by forcing the cultivation of poor soils, it raises its cost and price to the home consumer. A bounty on manufactured goods is objectionable only in the first of these respects. It does not cause a permanent rise of prices; and is, for that reason, decidedly less injurious than a bounty on the exportation of corn or other raw produce. For a farther discussion of this subject, see supplemental note on the Corn Laws.

[1] This seems to be a most fallacious statement. Dr. Smith says, that the value of corn is equal to the quantity of labour *it will maintain*; and he therefore concludes, because the same quantity of corn has the capacity, at all times, of feeding the same number of men, that its value is invariable! But the value of a commodity, or its power to exchange for or buy labour and other commodities, is a totally different and distinct quality from its utility, that is, from its capacity to satisfy our wants and desires. Utility, though essential to value, is not the principle by which it is determined: that depends wholly on the facility or difficulty of production. A quarter of corn is at one time produced by a given amount of labour; but if, owing to the necessity of cultivating inferior soils or any other cause, the same amount of labour should at some other time only produce half a quarter, the value of corn will be doubled, while its utility or capacity of supporting man will be unaltered. For a farther illustration of this principle, see supplemental note on Value.

[2] The reverse of what is stated in this paragraph is true. A bounty on the exportation of corn raises its price, and, by forcing the cultivation of inferior lands, raises rents. It is, therefore, productive of a real and lasting advantage to the landlords; whereas a bounty on the exportation of manufactured goods confers only a temporary and comparatively trifling advantage on their producers.

ence more liable to frauds than those upon exportation. How far this is true, I know not. That bounties upon exportation have been abused to many fraudulent purposes, is very well known. But it is not the interest of merchants and manufacturers, the great inventors of all these expedients, that the home market should be overstocked with their goods, — an event which a bounty upon production might sometimes occasion. A bounty upon exportation, by enabling them to send abroad the surplus part, and to keep up the price of what remains in the home market, effectually prevents this. Of all the expedients of the mercantile system, accordingly, it is the one of which they are the fondest. I have known the different undertakers of some particular works agree privately among themselves to give a bounty out of their own pockets upon the exportation of a certain proportion of the goods which they dealt in. This expedient succeeded so well, that it more than doubled, the price of their goods in the home market, notwithstanding a very considerable increase in the produce. The operation of the bounty upon corn must have been wonderfully different, if it has lowered the money price of that commodity.[1]

Something like a bounty upon production, however, has been granted upon some particular occasions. The tonnage bounties given to the white-herring and whale fisheries may, perhaps, be considered as somewhat of this nature. They tend directly, it may be supposed, to render the goods cheaper in the home market than they otherwise would be. In other respects their effects, it must be acknowledged, are the same as those of bounties upon exportation. By means of them a part of the capital of the country is employed in bringing goods to market, of which the price does not repay the cost, together with the ordinary profits of stock.

But though the tonnage bounties to those fisheries do not contribute to the opulence of the nation, it may perhaps be thought, that they contribute to its defence, by augmenting the number of its sailors and shipping. This, it may be alleged, may sometimes be done by means of such bounties at a much smaller expense, than by keeping up a great standing navy, if I may use such an expression, in the same way as a standing army.

Notwithstanding these favourable allegations, however, the following considerations dispose me to believe, that in granting at least one of these bounties, the legislature has been very grossly imposed upon.

First, The herring buss bounty seems too large.

From the commencement of the winter fishing 1771 to the end of the winter fishing 1781, the tonnage bounty upon the herring buss fishery has been at thirty shillings the ton. During these eleven years the whole number of barrels caught by the herring buss fishery of Scotland amounted to 378,347. The herrings caught and cured at sea, are called sea sticks. In order to render them what are called merchantable herrings, it is necessary to repack them with an additional quantity of salt; and in this case, it is reckoned, that three barrels of sea sticks are usually repacked into two barrels of merchantable herrings. The number of barrels of merchantable herrings, therefore, caught during these eleven years, will amount only, according to this account, to 252,231½. During these eleven years the tonnage bounties paid amounted to 155,463*l.* 11*s.* or to 8*s.* 2¼*d.* upon every barrel of sea sticks, and to 12*s.* 3¾*d.* upon every barrel of merchantable herrings.

The salt with which these herrings are cured is sometimes Scotch, and sometimes foreign salt; both which are delivered, free of all excise duty, to the fish-curers. The excise duty upon Scotch salt is at present 1*s.* 6*d.*, that upon foreign salt 10*s.* the bushel. A barrel of herrings is supposed to require about one bushel and one-fourth of a bushel foreign salt. Two bushels are the supposed average of Scotch salt. If the herrings are entered for exportation, no part of this duty is paid up; if entered for home consumption, whether the herrings were cured with foreign or with Scotch salt, only one shilling the barrel is paid up. It was the old Scotch duty upon a bushel of salt, the quantity which, at a low estimation, had been supposed necessary for curing a barrel of herrings. In Scotland, foreign salt is very little used for any other purpose but the curing of fish. But from the 5th April 1771 to the 5th April 1782, the quantity of foreign salt imported amounted to 936,974 bushels, at eighty-four pounds the bushel: the quantity of Scotch salt, delivered from the works to the fish-curers, to no more than 168,226, at fifty-six pounds the bushel only. It would appear, therefore, that it is principally foreign salt that is used in the fisheries. Upon every barrel of herrings exported there is, besides, a bounty of 2*s.* 8*d.*; and more than two-thirds of the buss caught herrings are exported. Put all these things together and you will find, that, during these eleven years, every barrel of buss caught herrings, cured with Scotch salt when exported, has cost government 17*s.* 11¾*d.*; and when entered for home consumption 14*s.* 3¾*d.*: and that every barrel cured with foreign salt, when exported, has cost go-

[1] For a more detailed and scientific inquiry into the operation of bounties on production, see the chapter on that subject in Ricardo's *Principles of Political Economy and Taxation*.

vernment 1*l.* 7*s.* 5¾*d.*; and when entered for home consumption 1*l.* 3*s.* 9¾*d.* The price of a barrel of good merchantable herrings runs from seventeen and eighteen to four and five and twenty shillings; about a guinea at an average.[1]

Secondly, The bounty to the white herring fishery is a tonnage bounty, and is proportioned to the burden of the ship, not to her diligence or success in the fishery; and it has, I am afraid, been too common for vessels to fit out for the sole purpose of catching, not the fish, but the bounty. In the year 1759, when the bounty was at fifty shillings the ton, the whole buss fishery of Scotland brought in only four barrels of sea sticks. In that year each barrel of sea sticks cost government in bounties alone 113*l.* 15*s.*; each barrel of merchantable herrings 159*l.* 7*s.* 6*d.*

Thirdly, The mode of fishing for which this tonnage bounty in the white herring fishery has been given (by busses or decked vessels from twenty to eighty tons burthen,) seems not so well adapted to the situation of Scotland as to that of Holland; from the practice of which country it appears to have been borrowed. Holland lies at a great distance from the seas to which herrings are known principally to resort, and can, therefore, carry on that fishery only in decked vessels, which can carry water and provisions sufficient for a voyage to a distant sea. But the Hebrides or western islands, the islands of Shetland, and the northern and north-western coasts of Scotland, the countries in whose neighbourhood the herring fishery is principally carried on, are everywhere intersected by arms of the sea, which run up a considerable way into the land, and which, in the language of the country, are called sea-lochs. It is to these sea-lochs that the herrings principally resort, during the seasons in which they visit those seas; for the visits of this, and, I am assured, of many other sorts of fish, are not quite regular and constant. A boat fishery, therefore, seems to be the mode of fishing best adapted to the peculiar situation of Scotland; the fishers carrying the herrings on shore, as fast as they are taken, to be either cured or consumed fresh. But the great encouragement, which a bounty of thirty shillings the ton gives to the buss fishery, is necessarily a discouragement to the boat fishery; which, having no such bounty, cannot bring its cured fish to market upon the same terms as the buss fishery. The boat fishery, accordingly, which, before the establishment of the buss bounty, was very considerable, and is said to have employed a number of seamen, not inferior to what the buss fishery employs at present, is now gone almost entirely to decay. Of the former extent, however, of this now ruined and abandoned fishery, I must acknowledge, that I cannot pretend to speak with much precision. As no bounty was paid upon the outfit of the boat fishery, no account was taken of it by the officers of the customs or salt duties.

Fourthly, In many parts of Scotland, during certain seasons of the year, herrings make no inconsiderable part of the food of the common people. A bounty, which tended to lower their price in the home market, might contribute a good deal to the relief of a great number of our fellow-subjects, whose circumstances are by no means affluent. But the herring buss bounty contributes to no such good purpose. It has ruined the boat fishery, which is by far the best adapted for the supply of the home market, and the additional bounty of 2*s.* 8*d.* the barrel upon exportation, carries the greater part, more than two thirds, of the produce of the buss fishery abroad. Between thirty and forty years ago, before the establishment of the buss bounty, sixteen shillings the barrel, I have been assured, was the common price of white herrings. Between ten and fifteen years ago, before the boat fishery was entirely ruined, the price is said to have run from seventeen to twenty shillings the barrel. For these last five years, it has, at an average, been at twenty-five shillings the barrel. This high price, however, may have been owing to the real scarcity of the herrings upon the coast of Scotland. I must observe, too, that the cask or barrel, which is usually sold with the herrings, and of which the price is included in all the foregoing prices, has, since the commencement of the American war, risen to about double its former price, or from about three shillings to about six shillings. I must likewise observe, that the accounts I have received of the prices of former times, have been by no means quite uniform and consistent; and an old man of great accuracy and experience has assured me that more than fifty years ago, a guinea was the usual price of a barrel of good merchantable herrings; and this, I imagine, may still be looked upon as the average price. All accounts, however, I think, agree that the price has not been lowered in the home market, in consequence of the buss bounty.

When the undertakers of fisheries, after such liberal bounties have been bestowed upon them, continue to sell their commodity at the same, or even at a higher price than they were accustomed to do before, it might be expected that their profits should be very great; and it is not improbable that those of some individuals may have been so. In general, however, I have every reason to believe, they have been quite otherwise.

[1] See the accounts at the end of the chapter. (Note by the author.)

The usual effect of such bounties is to encourage rash undertakers to adventure in a business which they do not understand, and what they lose by their own negligence and ignorance, more than compensates all that they can gain by the utmost liberality of government. In 1750, by the same act which first gave the bounty of thirty shillings the ton for the encouragement of the white herring fishery (the 23 Geo. II. chap. 24.), a joint stock company was erected, with a capital of five hundred thousand pounds, to which the subscribers (over and above all other encouragements, the tonnage bounty just now mentioned, the exportation bounty of two shillings and eight pence the barrel, the delivery of both British and foreign salt duty free) were, during the space of fourteen years, for every hundred pounds which they subscribed and paid in to the stock of the society, entitled to three pounds a year, to be paid by the receiver-general of the customs in equal half-yearly payments. Besides this great company, the residence of whose governor and directors was to be in London, it was declared lawful to erect different fishing chambers in all the different outports of the kingdom, provided a sum not less than ten thousand pounds was subscribed into the capital of each, to be managed at its own risk, and for its own profit and loss. The same annuity, and the same encouragements of all kinds, were given to the trade of those inferior chambers, as to that of the great company. The subscription of the great company was soon filled up, and several different fishing chambers were erected in the different outports of the kingdom. In spite of all these encouragements, almost all those different companies, both great and small, lost either the whole, or the greater part of their capitals; scarce a vestige now remains of any of them, and the white herring fishery is now entirely, or almost entirely, carried on by private adventurers.[1]

If any particular manufacture was necessary, indeed, for the defence of the society, it might not always be prudent to depend upon our neighbours for the supply; and if such manufacture could not otherwise be supported at home, it might not be unreasonable that all the other branches of industry should be taxed in order to support it. The bounties upon the exportation of British-made sailcloth, and British-made gunpowder, may, perhaps, both be vindicated upon this principle.

But though it can very seldom be reasonable to tax the industry of the great body of the people, in order to support that of some particular class of manufacturers, yet in the wantonness of great prosperity, when the public enjoys a greater revenue than it knows well what to do with, to give such bounties to favourite manufactures, may, perhaps, be as natural as to incur any other idle expense. In public, as well as in private expenses, great wealth may, perhaps, frequently be admitted as an apology for great folly; but there must surely be something more than ordinary absurdity, in continuing such profusion in times of general difficulty and distress.

What is called a bounty is sometimes no more than a drawback, and consequently is not liable to the same objections as what is properly a bounty. The bounty, for example, upon refined sugar exported, may be considered as a drawback of the duties upon the brown and muscovado sugars, from which it is made; the bounty upon wrought silk exported, a drawback of the duties upon raw and thrown silk imported; the bounty upon gunpowder exported, a drawback of the duties upon brimstone and saltpetre imported. In the language of the customs those allowances only are called drawbacks, which are given upon goods exported in the same form in which they are imported. When that form has been so altered by manufacture of any kind, as to come under a new denomination, they are called bounties.

Premiums given by the public to artists and manufacturers who excel in their particular occupations, are not liable to the same objections as bounties. By encouraging extraordinary dexterity and ingenuity, they serve to keep up the emulation of the workmen actually employed in those respective occupations and are not considerable enough to turn towards any one of them a greater share of the capital of the country than what would go to it of its own accord. Their tendency is not to overturn the natural balance of employments, but to render the work which is done in each as perfect and complete as possible. The expense of premiums, besides, is very trifling; that of bounties very great. The bounty upon corn alone has sometimes cost the public in one year, more than three hundred thousand pounds.

Bounties are sometimes called premiums, as drawbacks are sometimes called bounties. But we must in all cases attend to the nature of the thing, without paying any regard to the word.

Digression concerning the Corn Trade and Corn Laws.

I CANNOT conclude this chapter concerning bounties, without observing that the praises which have been bestowed upon the law which establishes the bounty upon the exportation of corn, and upon that system of regulations which is connected with it, are

[1] Several important changes have been made in the herring fishery regulations since the publication of the Wealth of Nations. An account of these changes, and of the present state of the fishery, is given in a supplemental note.

altogether unmerited. A particular examination of the nature of the corn trade, and of the principal British laws which relate to it, will sufficiently demonstrate the truth of this assertion. The great importance of this subject must justify the length of the digression.

The trade of the corn merchant is composed of four different branches, which, though they may sometimes be all carried on by the same person, are in their own nature four separate and distinct trades. These are, first, the trade of the inland dealer; secondly, that of the merchant importer for home consumption; thirdly, that of the merchant exporter of home produce for foreign consumption; and, fourthly, that of the merchant carrier, or of the importer of corn, in order to export it again.

I. The interest of the inland dealer, and that of the great body of the people, how opposite soever they may at first sight appear, are, even in years of the greatest scarcity, exactly the same. It is his interest to raise the price of his corn as high as the real scarcity of the season requires, and it can never be his interest to raise it higher. By raising the price, he discourages the consumption, and puts every body, more or less, but particularly the inferior ranks of people, upon thrift and good management. If, by raising it too high, he discourages the consumption so much that the supply of the season is likely to go beyond the consumption of the season, and to last for some time after the next crop begins to come in, he runs the hazard, not only of losing a considerable part of his corn by natural causes, but of being obliged to sell what remains of it for much less than what he might have had for it several months before. If by not raising the price high enough he discourages the consumption so little, that the supply of the season is likely to fall short of the consumption of the season, he not only loses a part of the profit which he might otherwise have made, but he exposes the people to suffer before the end of the season, instead of the hardships of a dearth, the dreadful horrors of a famine. It is the interest of the people that their daily, weekly, and monthly consumption, should be proportioned as exactly as possible to the supply of the season. The interest of the inland corn dealer is the same. By supplying them, as nearly as he can judge, in this proportion, he is likely to sell all his corn for the highest price, and with the greatest profit; and his knowledge of the state of the crop, and of his daily, weekly, and monthly sales, enable him to judge, with more or less accuracy, how far they really are supplied in this manner. Without intending the interest of the people, he is necessarily led, by a regard to his own interest, to treat them, even in years of scarcity, pretty much in the same manner as the prudent master of a vessel is sometimes obliged to treat his crew. When he foresees that provisions are likely to run short, he puts them upon short allowance. Though from excess of caution he should sometimes do this without any real necessity, yet all the inconveniencies which his crew can thereby suffer, are inconsiderable, in comparison of the danger, misery, and ruin to which they might sometimes be exposed by a less provident conduct. Though from excess of avarice, in the same manner, the inland corn merchant should sometimes raise the price of his corn somewhat higher than the scarcity of the season requires, yet all the inconveniencies which the people can suffer from this conduct, which effectually secures them from a famine in the end of the season, are inconsiderable, in comparison of what they might have been exposed to by a more liberal way of dealing in the beginning of it. The corn merchant himself is likely to suffer the most by this excess of avarice; not only from the indignation which it generally excites against him, but though he should escape the effects of this indignation, from the quantity of corn which it necessarily leaves upon his hands in the end of the season, and which, if the next season happens to prove favourable, he must always sell for a much lower price than he might otherwise have had.[1]

Were it possible, indeed, for one great company of merchants to possess themselves

[1] Mr. Buchanan, in a note on this passage, observes —"Those who still imagine that corn is artificially raised in price, would do well to consider, that, as the supply of provisions is liable to great variations, there must be some provision in the economy of nature for making a smaller supply last as long as a larger supply; that there is no way of thus regulating the consumption but by the price, and that it is, accordingly, in reference to this great object that the price is invariably fixed. It neither can be lowered nor increased but for the sake of more exactly suiting the daily and weekly waste to the supply of the year. If we suppose, for example, that the supply falls in one year one twelfth below the level of an average crop, (which we know frequently happens,) it would, if consumption were to go on at the ordinary rate, be consumed in the course of eleven months, leaving the last month wholly unprovided for. But this we know never happens, and it is only prevented by a rise of price, which measures the consumption to the deficiency of the crop; and whether there be such a redundance, middling, or scarce crop, such allowance is sure to be measured out to the consumers, by a low, a middling, or a high price. The corn-dealer, indeed, thinks nothing about all this; he endeavours to sell his commodity at the highest price, and in a scarcity he takes his full advantage; but while he is thinking only of himself — and he is well employed in his own paltry gains, he is a mere instrument in the hands of him who brings seed out of seed, and who turns the little passing events to the purposes of his own benevolence and wisdom. There is surely nothing in nature more wonderful than that great law of scarcity by which subsistence is measured out to the consumers in the proportion to the supply of the year, and the good supply is rendered the more enjoying will it appear of provident and paternal administration."

of the whole crop of an extensive country, it might, perhaps, be their interest to deal with it as the Dutch are said to do with the spiceries of the Moluccas, to destroy or throw away a considerable part of it, in order to keep up the price of the rest. But it is scarce possible, even by the violence of law, to establish such an extensive monopoly with regard to corn; and, wherever the law leaves the trade free, it is of all commodities the least liable to be engrossed or monopolised by the force of a few large capitals, which buy up the greater part of it. Not only its value far exceeds what the capitals of a few private men are capable of purchasing, but, supposing they were capable of purchasing it, the manner in which it is produced renders this purchase altogether impracticable. As in every civilised country it is the commodity of which the annual consumption is the greatest, so a greater quantity of industry is annually employed in producing corn than in producing any other commodity. When it first comes from the ground, too, it is necessarily divided among a greater number of owners than any other commodity; and these owners can never be collected into one place like a number of independent manufacturers, but are necessarily scattered through all the different corners of the country. These first owners either immediately supply the consumers in their own neighbourhood, or they supply other inland dealers who supply those consumers. The inland dealers in corn, therefore, including both the farmer and the baker, are necessarily more numerous than the dealers in any other commodity, and their dispersed situation renders it altogether impossible for them to enter into any general combination. If in a year of scarcity, therefore, any of them should find that he had a good deal more corn upon hand than, at the current price, he could hope to dispose of before the end of the season, he would never think of keeping up this price to his own loss, and to the sole benefit of his rivals and competitors, but would immediately lower it, in order to get rid of his corn before the new crop began to come in. The same motives, the same interests, which would thus regulate the conduct of any one dealer, would regulate that of every other, and oblige them all in general to sell their corn at the price which, according to the best of their judgment, was most suitable to the scarcity or plenty of the season.

Whoever examines with attention the history of the dearths and famines which have afflicted any part of Europe, during either the course of the present or that of the two preceding centuries, of several of which we have pretty exact accounts, will find, I believe, that a dearth never has arisen from any combination among the inland dealers in corn, nor from any other cause but a real scarcity, occasioned sometimes, perhaps, and in some particular places by the waste of war, but in by far the greatest number of cases by the fault of the seasons; and that a famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniencies of a dearth.

In an extensive corn country, between all the different parts of which there is a free commerce and communication, the scarcity occasioned by the most unfavourable seasons can never be so great as to produce a famine; and the scantiest crop, if managed with frugality and economy, will maintain through the year the same number of people that are commonly fed in a more affluent manner by one of moderate plenty. The seasons most unfavourable to the crop are those of excessive drought or excessive rain. But, as corn grows equally upon high and low lands, upon grounds that are disposed to be too wet, and upon those that are disposed to be too dry, either the drought or the rain which is hurtful to one part of the country is favourable to another; and though both in the wet and in the dry season the crop is a good deal less than in one more properly tempered, yet in both what is lost in one part of the country is in some measure compensated by what is gained in the other In rice countries, where the crop not only requires a very moist soil, but where in a certain period of its growing it must be laid under water, the effects of a drought are much more dismal. Even in such countries, however, the drought is, perhaps, scarce ever so universal as necessarily to occasion a famine, if the government would allow a free trade. The drought in Bengal, a few years ago, might probably have occasioned a very great dearth. Some improper regulations, some injudicious restraints imposed by the servants of the East India Company upon the rice trade, contributed, perhaps, to turn that dearth into a famine.

When the government, in order to remedy the inconveniencies of a dearth, orders all the dealers to sell their corn at what it supposes a reasonable price, it either hinders them from bringing it to market, which may sometimes produce a famine even in the beginning of the season; or if they bring it thither, it enables the people, and thereby encourages them to consume it so fast, as must necessarily produce a famine before the end of the season. The unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventative of the miseries of a famine, so it is the best palliative of the inconveniencies of a dearth; for the inconveniencies of a real scarcity cannot be remedied, they can only be palliated. No trade deserves more the full protection of the law, and no trade requires it so much, because

no trade is so much exposed to popular odium.

In years of scarcity the inferior ranks of people impute their distress to the avarice of the corn merchant, who becomes the object of their hatred and indignation. Instead of making profit upon such occasions, therefore, he is often in danger of being utterly ruined, and of having his magazines plundered and destroyed by their violence. It is in years of scarcity, however, when prices are high, that the corn merchant expects to make his principal profit. He is generally in contract with some farmers to furnish him for a certain number of years with a certain quantity of corn at a certain price.[1] This contract price is settled according to what is supposed to be the moderate and reasonable, that is, the ordinary or average price, which, before the late years of scarcity, was commonly about eight and twenty shillings for the quarter of wheat, and for that of other grain in proportion. In years of scarcity, therefore, the corn merchant buys a great part of his corn for the ordinary price, and sells it for a much higher. That this extraordinary profit, however, is no more than sufficient to put his trade upon a fair level with other trades, and to compensate the many losses which he sustains upon other occasions, both from the perishable nature of the commodity itself, and from the frequent and unforeseen fluctuations of its price, seems evident enough, from this single circumstance, that great fortunes are as seldom made in this as in any other trade. The popular odium, however, which attends it in years of scarcity, the only years in which it can be very profitable, renders people of character and fortune averse to enter into it. It is abandoned to an inferior set of dealers; and millers, bakers, mealmen, and meal factors, together with a number of wretched hucksters, are almost the only middle people that, in the home market, come between the grower and the consumer.

The ancient policy of Europe, instead of discountenancing this popular odium against a trade so beneficial to the public, seems, on the contrary, to have authorised and encouraged it.

By the 5th and 6th of Edward VI. cap. 14. it was enacted, that whoever should buy any corn or grain with intent to sell it again, should be reputed an unlawful engrosser, and should, for the first fault, suffer two months' imprisonment, and forfeit the value of the corn; for the second, suffer six months' imprisonment, and forfeit double the value; and for the third, be set in the pillory, suffer imprisonment during the king's pleasure, and forfeit all his goods and chattels. The ancient policy of most other parts of Europe was no better than that of England.

Our ancestors seem to have imagined that the people would buy their corn cheaper of the farmer than of the corn merchant, who, they were afraid, would require, over and above the price which he paid to the farmer, an exorbitant profit to himself. They endeavoured, therefore, to annihilate his trade altogether. They even endeavoured to hinder as much as possible any middle man of any kind from coming in between the grower and the consumer; and this was the meaning of the many restraints which they imposed upon the trade of those whom they called kidders or carriers of corn, a trade which nobody was allowed to exercise without a licence ascertaining his qualifications as a man of probity and fair dealing. The authority of three justices of the peace was, by the statute of Edward VI., necessary, in order to grant this licence. But even this restraint was afterwards thought insufficient, and by a statute of Elizabeth, the privilege of granting it was confined to the quarter sessions.

The ancient policy of Europe endeavoured in this manner to regulate agriculture, the great trade of the country, by maxims quite different from those which it established with regard to manufactures, the great trade of the towns. By leaving the farmer no other customers but either the consumers or their immediate factors, the kidders and carriers of corn, it endeavoured to force him to exercise the trade, not only of a farmer, but of a corn merchant or corn retailer. On the contrary, it in many cases prohibited the manufacturer from exercising the trade of a shopkeeper, or from selling his own goods by retail. It meant by the one law to promote the general interest of the country, or to render corn cheap, without, perhaps, its being well understood how this was to be done. By the other it meant to promote that of a particular order of men, the shopkeepers, who would be so much undersold by the manufacturer, it was supposed, that their trade would be ruined if he was allowed to retail at all.

The manufacturer, however, though he had been allowed to keep a shop, and to sell his own goods by retail, could not have undersold the common shopkeeper. Whatever part of his capital he might have placed in his shop, he must have withdrawn it from his manufacture. In order to carry on his business on a level with that of other people, as he must have had the profit of a manufacturer on the one part, so he must have had that of a shopkeeper upon the other. Let us suppose, for example, that in the particular town where he lived, ten per cent. was the ordinary profit both of manufacturing and shopkeeping stock; he must in this

[1] This is not now (1868), whatever it may have been in the days of Dr. Smith, by any means a common practice.

ease have charged upon every piece of his own goods which he sold in his shop a profit of twenty per cent. When he carried them from his workhouse to his shop, he must have valued them at the price for which he could have sold them to a dealer or shopkeeper, who would have bought them by wholesale. If he valued them lower, he lost a part of the profit of his manufacturing capital. When again he sold them from his shop, unless he got the same price at which a shopkeeper would have sold them, he lost a part of the profit of his shopkeeping capital. Though he might appear, therefore, to make a double profit upon the same piece of goods, yet as these goods made successively a part of two distinct capitals, he made but a single profit upon the whole capital employed about them; and if he made less than his profit, he was a loser, or did not employ his whole capital with the same advantage as the greater part of his neighbours.

What the manufacturer was prohibited to do, the farmer was in some measure enjoined to do: to divide his capital between two different employments; to keep one part of it in his granaries and stack-yard, for supplying the occasional demands of the market; and to employ the other in the cultivation of his land. But as he could not afford to employ the latter for less than the ordinary profits of farming stock, so he could as little afford to employ the former for less than the ordinary profits of mercantile stock. Whether the stock which really carried on the business of the corn merchant belonged to the person who was called a farmer, or to the person who was called a corn merchant, an equal profit was in both cases requisite, in order to indemnify its owner for employing it in this manner; in order to put his business upon a level with other trades, and in order to hinder him from having an interest to change it as soon as possible for some other. The farmer, therefore, who was thus forced to exercise the trade of a corn merchant, could not afford to sell his corn cheaper than any other corn merchant would have been obliged to do in the case of a free competition.

The dealer who can employ his whole stock in one single branch of business, has an advantage of the same kind with the workman who can employ his whole labour in one single operation. As the latter acquires a dexterity which enables him, with the same two hands, to perform a much greater quantity of work; so the former acquires so easy and ready a method of transacting his business, of buying and disposing of his goods, that with the same capital he can transact a much greater quantity of business. As the one can commonly afford his work a good deal cheaper, so the other can commonly afford his goods somewhat cheaper than if his stock and attention were both employed about a greater variety of objects. The greater part of manufacturers could not afford to retail their own goods so cheap as a vigilant and active shopkeeper, whose sole business it was to buy them by wholesale, and to retail them again. The greater part of farmers could still less afford to retail their own corn, to supply the inhabitants of a town, at perhaps four or five miles distance from the greater part of them, so cheap as a vigilant and active corn merchant, whose sole business it was to purchase corn by wholesale, to collect it into a great magazine, and to retail it again.

The law which prohibited the manufacturer from exercising the trade of a shopkeeper, endeavoured to force this division in the employment of stock to go on faster than it might otherwise have done; the law which obliged the farmer to exercise the trade of a corn merchant, endeavoured to hinder it from going on so fast: both laws were evident violations of natural liberty, and therefore unjust; and they were both too as impolitic as they were unjust. It is the interest of every society, that things of this kind should never either be forced or obstructed. The man who employs either his labour or his stock in a greater variety of ways than his situation renders necessary, can never hurt his neighbour by underselling him: he may hurt himself, and he generally does so. Jack of all trades will never be rich, says the proverb. But the law ought always to trust people with the care of their own interest, as in their local situations they must generally be able to judge better of it than the legislator can do. The law, however, which obliged the farmer to exercise the trade of a corn merchant was by far the most pernicious of the two.

It obstructed not only that division in the employment of stock which is so advantageous to every society, but it obstructed likewise the improvement and cultivation of the land. By obliging the farmer to carry on two trades instead of one, it forced him to divide his capital into two parts, of which one only could be employed in cultivation. But if he had been at liberty to sell his whole crop to a corn merchant as fast as he could thersh it out, his whole capital might have returned immediately to the land, and have been employed in buying more cattle, and hiring more servants, in order to improve and cultivate it better. But by being obliged to sell his corn by retail, he was obliged to keep a great part of his capital in his granaries and stack-yard through the year, and could not, therefore, cultivate so well as with the same capital he might otherwise have done. This law, therefore, necessarily obstructed the improvement of the land, and, instead of tending to render corn

cheaper, must have tended to render it scarcer, and therefore dearer, than it would otherwise have been.

After the business of the farmer, that of the corn merchant is in reality the trade which, if properly protected and encouraged, would contribute the most to the raising of corn. It would support the trade of the farmer, in the same manner as the trade of the wholesale dealer supports that of the manufacturer.

The wholesale dealer, by affording a ready market to the manufacturer, by taking his goods off his hand as fast as he can make them, and by sometimes even advancing their price to him before he has made them, enables him to keep his whole capital, and sometimes even more than his whole capital, constantly employed in manufacturing, and consequently to manufacture a much greater quantity of goods than if he was obliged to dispose of them himself to the immediate consumers, or even to the retailers. As the capital of the wholesale merchant too is generally sufficient to replace that of many manufacturers, this intercourse between him and them interests the owner of a large capital to support the owners of a great number of small ones, and to assist them in those losses and misfortunes which might otherwise prove ruinous to them.

An intercourse of the same kind universally established between the farmers and the corn merchants, would be attended with effects equally beneficial to the farmers. They would be enabled to keep their whole capitals, and even more than their whole capitals, constantly employed in cultivation. In case of any of those accidents, to which no trade is more liable than theirs, they would find in their ordinary customer, the wealthy corn merchant, a person who had both an interest to support them, and the ability to do it, and they would not, as at present, be entirely dependent upon the forbearance of their landlord, or the mercy of his steward. Were it possible, as perhaps it is not, to establish this intercourse universally, and all at once, were it possible to turn all at once the whole farming stock of the kingdom to its proper business, the cultivation of land, withdrawing it from every other employment into which any part of it may be at present diverted, and were it possible, in order to support and assist upon occasion the operations of this great stock, to provide all at once another stock almost equally great, it is not perhaps very easy to imagine how great, how extensive, and how sudden would be the improvement which this change of circumstances would alone produce upon the whole face of the country.

The statute of Edward VI., therefore, by prohibiting as much as possible any middle man from coming in between the grower and the consumer, endeavoured to annihilate trade, of which the free exercise is not only the best palliative of the inconveniencies of a dearth, but the best preventative of that calamity; after the trade of the farmer, no trade contributing so much to the growing of corn as that of the corn merchant.

The rigour of this law was afterwards softened by several subsequent statutes, which successively permitted the engrossing of corn when the price of wheat should not exceed twenty, twenty-four, thirty-two, and forty shillings the quarter. At last, by the 15th of Charles II. c. 7. the engrossing or buying of corn in order to sell it again, as long as the price of wheat did not exceed forty-eight shillings the quarter, and that of other grain in proportion, was declared lawful to all persons not being forestallers, that is, not selling again in the same market within three months. All the freedom which the trade of the inland corn dealer has ever yet enjoyed, was bestowed upon it by this statute. The statute of the twelfth of the present king, which repeals almost all the other ancient laws against engrossers and forestallers, does not repeal the restrictions of this particular statute, which therefore still continue in force.[1]

[1] This is a mistake. The statute of 1772 (12 Geo. III. cap. 71.) repeals the restrictions and penalties imposed by the statute of Charles II., as well as those imposed by the more ancient statutes, on the buying and selling of corn and other raw products; the following distinct acknowledgment of their injurious operation being made in the preamble: "Whereas it has been found by experience, that the restraints laid by several statutes upon the dealing in corn, meal, flour, cattle, and other sundry sort of victuals, by preventing a free trade in the said commodities, have a tendency to discourage the growth, and enhance the price of the same, which statutes, if put into execution, would bring great distress on the inhabitants of many parts of the kingdom, and particularly on the cities of London and Westminster, be it therefore," &c. Unfortunately, however, the statute did not declare that no one should henceforth be liable to be indicted at *common law* for the imaginary offences of forestalling, regrating, and engrossing. The framers of the act were perhaps afraid lest any interference with the common law might, by exciting a prejudice in the public mind, be fatal to the success of the measure; and they probably supposed that the increasing knowledge and spirit of the age were a sufficient security that no proceeding, subversive of the freedom of the corn trade, would be founded upon it. But, if such were their opinion, it proved fallacious. In 1795 and 1800, the prices of corn rose to an unusual height; and despite the conclusive reasonings of Dr. Smith and other able writers, and the explicit acknowledgment in the preamble to the act now quoted, the clamour against the proceedings of the corn factors and corn dealers was as loud as it could well have been in the age of the Edwards and the Henrys. The municipal authorities of the city of London denounced the speculations of the corn merchants, without which it could not exist for a day, as the main, or rather sole cause of the scarcity which then afflicted the country; and thus aggravated in no common degree, though no doubt unconsciously, the misery and suffering occasioned by the deficiency of food. Some of the principal law authorities gave into the delusion; and a corn merchant, of the name of Rusby, was indicted, in 1800, for *regrating*, that is, for selling in the same market, and on the same day in which he had purchased them, thirty quarters of oats

This statute, however, authorises in some measure two very absurd popular prejudices:

First, It supposes that when the price of wheat has risen so high as forty-eight shillings the quarter, and that of other grain in proportion, corn is likely to be so engrossed as to hurt the people. But from what has been already said, it seems evident enough that corn can at no price be so engrossed by the inland dealers as to hurt the people: and forty-eight shillings the quarter besides, though it may be considered as a very high price, yet in years of scarcity it is a price which frequently takes place immediately after harvest, when scarce any part of the new crop can be sold off, and when it is impossible even for ignorance to suppose that any part of it can be so engrossed as to hurt the people.

Secondly, It supposes that there is a certain price at which corn is likely to be forestalled, that is, bought up in order to be sold again soon after in the same market, so as to hurt the people. But if a merchant ever buys up corn, either going to a particular market or in a particular market, in order to sell it again soon after in the same market, it must be because he judges that the market cannot be so liberally supplied through the whole season as upon that particular occasion, and that the price, therefore, must soon rise. If he judges wrong in this, and if the price does not rise, he not only loses the whole profit of the stock which he employs in this manner, but a part of the stock itself, by the expense and loss which necessarily attend the storing and keeping of corn. He hurts himself, therefore, much more essentially than he can hurt even the particular people whom he may hinder from supplying themselves upon that particular market day, because they may afterwards supply themselves just as cheap upon any other market day. If he judges right, instead of hurting the great body of the people, he renders them a most important service. By making them feel the inconveniencies of a dearth somewhat earlier than they otherwise might do, he prevents their feeling them afterwards so severely as they certainly would do, if the cheapness of price encouraged them to consume faster than suited the real scarcity of the season. When the scarcity is real, the best thing that can be done for the people is to divide the inconveniencies of it as equally as possible through all the different months, and weeks, and days of the year. The interest of the corn merchant makes him study to do this as exactly as he can: and as no other person can have either the same interest, or the same knowledge, or the same abilities to do it so exactly as he, this most important operation of commerce ought to be trusted entirely to him; or, in other words, the corn trade, so far at least as concerns the supply of the home market, ought to be left perfectly free.

The popular fear of engrossing and forestalling may be compared to the popular terrors and suspicions of witchcraft. The unfortunate wretches accused of this latter crime were not more innocent of the misfortunes imputed to them than those who have been accused of the former. The law which put an end to all prosecutions against witchcraft, which put it out of any man's power to gratify his own malice by accusing his neighbour of that imaginary crime, seems effectually to have put an end to those fears and suspicions, by taking away the great cause which encouraged and supported them. The law which should restore entire freedom to the inland trade of corn, would probably prove as effectual to put an end to the popular fears of engrossing and forestalling.

The 15th of Charles II. c. 7. however, with all its imperfections, has, perhaps, contributed more both to the plentiful supply of the home market, and to the increase of tillage, than any other law in the statute book. It is from this law that the inland corn trade has derived all the liberty and protection which it has ever yet enjoyed; and both the supply of the home market and the interest of tillage are much more effectually promoted by the inland, than either by the importation or exportation trade.

The proportion of the average quantity of all sorts of grain imported into Great Britain to that of all sorts of grain consumed, it has been computed by the author of the tracts upon the corn trade, does not exceed that of one to five hundred and seventy. For supplying the home market, therefore, the importance of the inland trade must be to that of the importation trade as five hundred and seventy to one.

The average quantity of all sorts of grain exported from Great Britain does not, according to the same author, exceed the one-and-thirtieth part of the annual produce. For the encouragement of tillage, therefore, by providing a market for the home produce, the importance of the inland trade must be

at an advance of two shillings a quarter. The charge of lord Kenyon, who presided at the trial, shows how thoroughly he was imbued with the popular prejudices on the subject. But as some of the other judges doubted whether the act for which the indictment was laid, was really punishable at common law, Rusby, though convicted, was never brought up for judgment. There is not much reason to think that an indictment for such an offence would now be sustained. The more general diffusion of those liberal and enlarged principles which the judges and even merchants of 1795 and 1800 sneered at as abstract and theoretical, will in future effectually shield those engaged in the corn trade from being dragged into Court, and treated like felons, for endeavouring to supply the public with food, and to distribute it in the best manner.

to that of the exportation trade as thirty to one.[1]

I have no great faith in political arithmetic, and I mean not to warrant the exactness of either of these computations. I mention them only in order to show of how much less consequence, in the opinion of the most judicious and experienced persons, the foreign trade of corn is than the home trade. The great cheapness of corn in the years immediately preceding the establishment of the bounty, may perhaps, with reason, be ascribed in some measure to the operation of this statute of Charles II., which had been enacted about five and twenty years before, and which had therefore full time to produce its effect.

A very few words will sufficiently explain all that I have to say concerning the other three branches of the corn trade.

II. The trade of the merchant importer of foreign corn for home consumption evidently contributes to the immediate supply of the home market, and must so far be immediately beneficial to the great body of the people. It tends, indeed, to lower somewhat the average money price of corn, but not to diminish its real value, or the quantity of labour which it is capable of maintaining. If importation was at all times free, our farmers and country gentlemen would, probably, one year with another, get less money for their corn than they do at present, when importation is at most times in effect prohibited; but the money which they got would be of more value, would buy more goods of all other kinds, and would employ more labour. Their real wealth, their real revenue, therefore, would be the same as at present, though it might be expressed by a smaller quantity of silver; and they would neither be disabled nor discouraged from cultivating corn as much as they do at present. On the contrary, as the rise in the real value of silver, in consequence of lowering the money price of corn, lowers somewhat the money price of all other commodities, it gives the industry of the country, where it takes place, some advantage in all foreign markets, and thereby tends to encourage and increase that industry. But the extent of the home market for corn must be in proportion to the general industry of the country where it grows, or to the number of those who produce something else, and therefore have something else, or what comes to the same thing, the price of something else, to give in exchange for corn. But in every country the home market, as it is the nearest and most convenient, so is it likewise the greatest and most important market for corn. That rise in the real value of silver, therefore, which is the effect of lowering the average money price of corn, tends to enlarge the greatest and most important market for corn, and thereby to encourage, instead of discouraging, its growth.

By the 22d of Charles II. c. 13. the importation of wheat, whenever the price in the home market did not exceed fifty-three shillings and fourpence the quarter, was subjected to a duty of sixteen shillings the quarter; and to a duty of eight shillings whenever the price did not exceed four pounds: the former of these two prices has, for more than a century past, taken place only in times of very great scarcity; and the latter has, so far as I know, not taken place at all. Yet, till wheat had risen above this latter price, it was by this statute subjected to a very high duty; and, till it had risen above the former, to a duty which amounted to a prohibition. The importation of other sorts of grain was restrained at rates, and by duties, in proportion to the value of the grain, almost equally high.[2] Subsequent laws still further increased those duties.

The distress which, in years of scarcity, the strict execution of those laws might have brought upon the people, would probably have been very great; but, upon such occasions, its execution was generally suspended by temporary statutes, which permitted, for a limited time, the importation of foreign corn. The necessity of these temporary statutes sufficiently demonstrates the impropriety of this general one.

These restraints upon importation, though prior to the establishment of the bounty, were dictated by the same spirit, by the same principles, which afterwards enacted that regulation. How hurtful soever in themselves, these or some other restraints upon importation became necessary in consequence of that regulation. If, when wheat was either below forty-eight shillings the quarter, or not much above it, foreign corn could have been imported either duty free, or upon paying only a small duty, it might have been exported again, with the benefit of

[1] For the state of the corn trade with respect to imports and exports down to 1848, see the tables annexed to the supplemental note on the Corn Laws.

[2] Before the 13th of the present king, the following were the duties payable upon the importation of the different sorts of grain:—

Grain.	Duties.			Duties.	Duties.
	s. d.		s. d.	s. d.	d.
Beans to 28s per quarter	19 10	after till	40 0	16 8	then 1½
Barley to 24s.	19 10		32 0	16 0	1s
Malt is prohibited by the annual malt-tax bill.					
Oats to 16s	5 10	after			9½

Grain.	Duties.			Duties.	Duties.
	s. d.		s. d.	s. d.	d.
Pease to 40s.	16 0	after			9½
Rye to 36s.	19 10	till	40 0	16 8	then 1s
Wheat to 44s.	21 0	till	53 4	17 0	then 8s.
till 1l., and after that about 1s. 4d.					
Buck-wheat to 32s.	er quarter to pay 16s.				

These different duties were imposed, partly by the 22d of Charles II. in place of the old subsidy, partly by the new subsidy, by the one-third and two-thirds subsidy, and by the subsidy 1747. (Note by the author.)

the bounty, to the great loss of the public revenue, and to the entire perversion of the institution, of which the object was to extend the market for the home growth, not that for the growth of foreign countries.

III. The trade of the merchant exporter of corn for foreign consumption, certainly does not contribute directly to the plentiful supply of the home market: it does so, however, indirectly. From whatever source this supply may be usually drawn, whether from home growth or from foreign importation, unless more corn is either usually grown, or usually imported into the country than what is usually consumed in it, the supply of the home market can never be very plentiful. But, unless the surplus can, in all ordinary cases, be exported, the growers will be careful never to grow more, and the importers never to import more, than what the bare consumption of the home market requires. That market will very seldom be overstocked; but it will generally be understocked, the people, whose business it is to supply it, being generally afraid lest their goods should be left upon their hands. The prohibition of exportation limits the improvement and cultivation of the country to what the supply of its own inhabitants requires. The freedom of exportation enables it to extend cultivation for the supply of foreign nations.

By the 12th of Charles II. c. 4. the exportation of corn was permitted whenever the price of wheat did not exceed forty shillings the quarter, and that of other grain in proportion. By the 15th of the same prince, this liberty was extended till the price of wheat exceeded forty-eight shillings the quarter; and by the 22d, to all higher prices. A poundage, indeed, was to be paid to the king upon such exportation. But all grain was rated so low in the book of rates, that this poundage amounted only upon wheat to a shilling, upon oats to fourpence, and upon all other grain to sixpence the quarter. By the 1st of William and Mary, the act which established the bounty, this small duty was virtually taken off whenever the price of wheat did not exceed forty-eight shillings the quarter; and by the 11th and 12th of William III. c. 20. it was expressly taken off at all higher prices.

The trade of the merchant exporter was, in this manner, not only encouraged by a bounty, but rendered much more free than that of the inland dealer. By the last of these statutes, corn could be engrossed at any price for exportation; but it could not be engrossed for inland sale, except when the price did not exceed forty-eight shillings the quarter. The interest of the inland dealer, however, it has already been shown, can never be opposite to that of the great body of the people. That of the merchant exporter may, and in fact sometimes is. If, while his own country labours under a dearth, a neighbouring country should be afflicted with a famine, it might be his interest to carry corn to the latter country in such quantities as might very much aggravate the calamities of the dearth. The plentiful supply of the home market was not the direct object of those statutes; but, under the pretence of encouraging agriculture, to raise the money price of corn as high as possible, and thereby to occasion, as much as possible, a constant dearth in the home market. By the discouragement of importation, the supply of that market, even in times of great scarcity, was confined to the home growth; and by the encouragement of exportation, when the price was so high as forty-eight shillings the quarter, that market was not, even in times of considerable scarcity, allowed to enjoy the whole of that growth. The temporary laws, prohibiting for a limited time the exportation of corn, and taking off for a limited time the duties upon its importation,—expedients to which Great Britain has been obliged so frequently to have recourse, sufficiently demonstrate the impropriety of her general system. Had that system been good, she would not so frequently have been reduced to the necessity of departing from it.

Were all nations to follow the liberal system of free exportation and free importation, the different states into which a great continent was divided would so far resemble the different provinces of a great empire. As among the different provinces of a great empire the freedom of the inland trade appears, both from reason and experience, not only the best palliative of a dearth, but the most effectual preventative of a famine; so would the freedom of the exportation and importation trade be among the different states into which a great continent was divided. The larger the continent, the easier the communication through all the different parts of it, both by land and by water, the less would any one particular part of it ever be exposed to either of these calamities, the scarcity of any one country being more likely to be relieved by the plenty of some other. But very few countries have entirely adopted this liberal system. The freedom of the corn trade is almost everywhere more or less restrained, and, in many countries, is confined by such absurd regulations, as frequently aggravate the unavoidable misfortune of a dearth into the dreadful calamity of a famine. The demand of such countries for corn may frequently become so great and so urgent, that a small state in their neighbourhood, which happened at the same time to be labouring under some degree of dearth, could not venture to supply them without exposing itself to the like dreadful calamity. The very bad policy of one country may

thus render it in some measure dangerous and imprudent to establish what would otherwise be the best policy in another. The unlimited freedom of exportation, however, would be much less dangerous in great states, in which the growth being much greater, the supply could seldom be much affected by any quantity of corn that was likely to be exported. In a Swiss canton, or in some of the little states of Italy, it may, perhaps, sometimes be necessary to restrain the exportation of corn: in such great countries as France or England it scarce ever can. To hinder, besides, the farmer from sending his goods at all times to the best market is evidently to sacrifice the ordinary laws of justice to an idea of public utility, to a sort of reasons of state; an act of legislative authority which ought to be exercised only, which can be pardoned only in cases of the most urgent necessity. The price at which the exportation of corn is prohibited, if it is ever to be prohibited, ought always to be a very high price.

The laws concerning corn may everywhere be compared to the laws concerning religion. The people feel themselves so much interested in what relates either to their subsistence in this life, or to their happiness in a life to come, that government must yield to their prejudices, and, in order to preserve the public tranquillity, establish that system which they approve of. It is upon this account, perhaps, that we so seldom find a reasonable system established with regard to either of those two capital objects.

IV. The trade of the merchant carrier, or of the importer of foreign corn in order to export it again, contributes to the plentiful supply of the home market. It is not indeed the direct purpose of his trade to sell his corn there; but he will generally be willing to do so, and even for a good deal less money than he might expect in a foreign market; because he saves in this manner the expense of loading and unloading, of freight and insurance. The inhabitants of the country which by means of the carrying trade, becomes the magazine and storehouse for the supply of other countries, can very seldom be in want themselves. Though the carrying trade might thus contribute to reduce the average money price of corn in the home market, it would not thereby lower its real value: it would only raise somewhat the real value of silver.

The carrying trade was in effect prohibited in Great Britain, upon all ordinary occasions, by the high duties upon the importation of foreign corn, of the greater part of which there was no drawback: and upon extraordinary occasions, when a scarcity made it necessary to suspend those duties by temporary statutes, exportation was always prohibited. By this system of laws, therefore, the carrying trade was in effect prohibited upon all occasions.

That system of laws, therefore, which is connected with the establishment of the bounty seems to deserve no part of the praise which has been bestowed upon it. The improvement and prosperity of Great Britain, which has been so often ascribed to those laws, may very easily be accounted for by other causes. That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour, is alone sufficient to make any country flourish, notwithstanding these and twenty other absurd regulations of commerce; and this security was perfected by the Revolution, much about the same time that the bounty was established. The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations; though the effect of these obstructions is always more or less either to encroach upon its freedom, or to diminish its security. In Great Britain industry is perfectly secure; and though it is far from being perfectly free, it is as free or freer than in any other part of Europe.

Though the period of the greatest prosperity and improvement of Great Britain has been posterior to that system of laws which is connected with the bounty, we must not upon that account impute it to those laws. It has been posterior likewise to the national debt. But the national debt has most assuredly not been the cause of it.

Though the system of laws which is connected with the bounty has exactly the same tendency with the police of Spain and Portugal,—to lower somewhat the value of the precious metals in the country where it takes place; yet Great Britain is certainly one of the richest countries in Europe, while Spain and Portugal are perhaps among the most beggarly. This difference of situation, however, may easily be accounted for from two different causes: First, the tax in Spain, the prohibition in Portugal of exporting gold and silver, and the vigilant police which watches over the execution of those laws, must, in two very poor countries, which between them import annually upwards of six millions sterling, operate, not only more directly, but much more forcibly in reducing the value of those metals there than the corn laws can do in Great Britain; and, secondly, this bad policy is not in those countries counterbalanced by the general liberty and security of the people. Industry is there

neither free nor secure, and the civil and ecclesiastical governments of both Spain and Portugal are such as would alone be sufficient to perpetuate their present state of poverty, even though their regulations of commerce were as wise as the greater part of them are absurd and foolish.

The 13th of the present king, c. 43. seems to have established a new system with regard to the corn laws, in many respects better than the ancient one, but in one or two respects perhaps not quite so good.

By this statute, the high duties upon importation for home consumption are taken off so soon as the price of middling wheat rises to forty-eight shillings the quarter; that of middling rye, pease, or beans, to thirty-two shillings; that of barley to twenty-four shillings; and that of oats to sixteen shillings; and instead of them, a small duty is imposed of only sixpence upon the quarter of wheat, and upon that of other grain in proportion. With regard to all these different sorts of grain, but particularly with regard to wheat, the home market is thus opened to foreign supplies at prices considerably lower than before.

By the same statute, the old bounty of five shillings upon the exportation of wheat ceases so soon as the price rises to forty-four shillings the quarter, instead of forty-eight, the price at which it ceased before; that of two shillings and sixpence upon the exportation of barley ceases so soon as the price rises to twenty-two shillings, instead of twenty-four, the price at which it ceased before; that of two shillings and sixpence upon the exportation of oatmeal ceases so soon as the price rises to fourteen shillings, instead of fifteen, the price at which it ceased before. The bounty upon rye is reduced from three shillings and sixpence to three shillings, and it ceases so soon as the price rises to twenty-eight shillings instead of thirty-two, the price at which it ceased before. If bounties are as improper as I have endeavoured to prove them to be, the sooner they cease, and the lower they are, so much the better.

The same statute permits, at the lowest prices, the importation of corn, in order to be exported again, duty free, provided it is in the mean time lodged in a warehouse under the joint locks of the king and the importer. This liberty, indeed, extends to no more than twenty-five of the different ports of Great Britain. They are, however, the principal ones, and there may not, perhaps, be warehouses proper for this purpose in the greater part of the others.

So far this law seems evidently an improvement upon the ancient system.

But by the same law a bounty of two shillings the quarter is given for the exportation of oats whenever the price does not exceed fourteen shillings. No bounty had ever been given before for the exportation of this grain, no more than for that of pease or beans.

By the same law, too, the exportation of wheat is prohibited so soon as the price rises to forty-four shillings the quarter; that of rye so soon as it rises to twenty-eight shillings; that of barley so soon as it rises to twenty-two shillings; and that of oats so soon as they rise to fourteen shillings. Those several prices seem all of them a good deal too low, and there seems to be an impropriety, besides, in prohibiting exportation altogether at those precise prices at which that bounty, which was given in order to force it, is withdrawn. The bounty ought certainly either to have been withdrawn at a much lower price, or exportation ought to have been allowed at a much higher.

So far, therefore, this law seems to be inferior to the ancient system. With all its imperfections, however, we may perhaps say of it what was said of the laws of Solon, that, though not the best in itself, it is the best which the interests, prejudices, and temper of the times would admit of. It may, perhaps, in due time prepare the way for a better.[1]

[1] The two following accounts are subjoined, in order to illustrate and confirm what is said in this chapter, concerning the tonnage bounty to the White Herring Fishery. The reader, I believe, may depend upon the accuracy of both accounts.

An Account of Busses fitted out in Scotland for Eleven Years, with the Number of empty Barrels carried out, and the Number of Barrels of Herrings caught; also the Bounty at a Medium on each Barrel of Seasteeks, and on each Barrel when fully packed.

Years.	Number of Busses.	Empty Barrels carried out	Barrels of Herrings caught.	Bounty paid on the Busses.
				£ s. d.
1771	29	5948	2832	2085 0 0
1772	168	41,316	22,237	11,055 7 6
1773	190	42,333	42,055	12,510 8 6
1774	248	59,303	56,365	16,952 2 6
1775	275	69,144	52,879	19,315 15 0
1776	294	76,329	51,863	21,290 7 6
1777	240	62,679	43,313	17,592 2 6
1778	220	56,390	40,958	16,316 2 6
1779	206	55,194	29,367	15,287 0 0
1780	181	48,315	19,885	13,445 12 6
1781	135	33,992	16,593	9613 12 6
Total	2186	550,943	378,347	155,463 11 0

Seasteeks,	378347	Bounty at a medium for each barrel of seasteeks - - £0 8 2¼
		But a barrel of seasteeks being only reckoned two-thirds of a barrel fully packed, one-third is deducted, which brings the
⅓ deducted,	126,115⅔	bounty to - £0 12 3¼
Barrels full packed	252,231⅓	
And if the herrings are exported, there is besides a premium of	- -	0 2 8
		£0 14 11¼

CHAP. VI.

Of Treaties of Commerce.[1]

WHEN a nation binds itself by treaty either to permit the entry of certain goods from one foreign country which it prohibits from all others, or to exempt the goods of one country from duties to which it subjects those of all others, the country, or at least the merchants and manufacturers of the country, whose commerce is so favoured, must necessarily derive great advantage from the treaty. Those merchants and manufacturers enjoy a sort of monopoly in the country which is so indulgent to them. That country becomes a market both more extensive and more advantageous for their goods: more extensive, because the goods of other nations being either excluded or subjected to heavier duties, it takes off a greater quantity of theirs: more advantageous, because the merchants of the favoured country, enjoying a sort of monopoly there, will often sell their goods for a better price than if exposed to the free competition of all other nations.[2]

Such treaties, however, though they may be advantageous to the merchants and manufacturers of the favoured, are necessarily disadvantageous to those of the favouring country. A monopoly is thus granted against them to a foreign nation; and they must frequently buy the foreign goods they have occasion for, dearer than if the free competition of other nations was admitted. That part of its own produce with which such a nation purchases foreign goods, must consequently be sold cheaper, because when two things are exchanged for one another, the cheapness of the one is a necessary consequence, or rather is the same thing with the dearness of the other. The exchangeable value of its annual produce, therefore, is likely to be diminished by every such treaty. This diminution, however, can scarce amount to any positive loss, but only to a lessening of the gain which it might otherwise make. Though it sells its goods cheaper than it

So that the bounty paid by government in money for each barrel, is - -	£0 14 11¼
But if to this, the duty of the salt usually taken credit for as expended in curing each barrel, which at a medium is of foreign, one bushel and one-fourth of a bushel, at 10*s.* a bushel, be added, viz. - - - - - - - - -	0 12 6
The bounty on each barrel would amount to - - - - - - -	£1 7 5¼
If the herrings are cured with British salt, it will stand thus, viz.	
Bounty as before - - - - - -	£0 14 11¼
— but if to this bounty the duty on two bushels of Scots salt at 1*s.* 6*d.* per bushel, supposed to be the quantity at a medium used in curing each barrel, is added, viz. - - - - - - -	0 3 0
The bounty on each barrel will amount to - - - - - - - - -	£0 17 11¼
And, when buss herrings are entered for home consumption in Scotland, and pay the shilling a barrel of duty, the bounty stands thus, viz. as before - - -	£0 12 3¾
From which the 1*s.* a barrel is to be deducted - - - - - - -	0 1 0
	0 11 3¾
But to that there is to be added again, the duty of the foreign salt used in curing a barrel of herrings, viz. - -	0 12 6
So that the premium allowed for each barrel of herrings entered for home consumption is - - - - - - -	£1 3 9¾
If the herrings are cured with British salt, it will stand as follows, viz.	
Bounty on each barrel brought in by the busses as above - - - -	£0 12 3¾
From which deduct the 1*s.* a barrel paid at the time they are entered for home consumption - - - -	0 1 0
Carried forward -	£0 11 3¾

Brought forward - -	£0 11 3¾
But if to the bounty the duty on two bushels of Scots salt at 1*s.* 6*d.* per bushel, supposed to be the quantity at a medium used in curing each barrel, is added, viz. - - - - - - -	0 3 0
The premium for each barrel entered for home consumption will be - -	£0 14 3¾

Though the loss of duties upon herrings exported cannot, perhaps, properly be considered as bounty, that upon herrings entered for home consumption certainly may.

An Account of the Quantity of Foreign Salt imported into Scotland, and of Scots Salt delivered Duty-free from the Works there for the Fishery, from the 5th of April 1771, *to the 5th of April* 1782, *with a Medium of both for one Year.*

PERIOD.	Foreign Salt imported.	Scots Salt delivered from the Works.
	Bushels.	Bushels.
From the 5th of April 1771, to the 5th of April 1782.	936,974	168,226
Medium for one year	851,79$\frac{6}{11}$	152,93$\frac{3}{11}$

It is to be observed that the bushel of Foreign salt weighs 84lbs., that of British salt 56lbs. only. (Note by the author.)

For an account of the statutes that have been passed since 1773, for the regulation of the corn trade see supplemental note on the Corn Laws.

[1] For an account of the commercial treaty with France, negotiated by Mr. Pitt in 1786, see supplemental note on the trade with France.

[2] The advantages to which Dr. Smith alludes are really of very small importance. If they occasion an increased demand for any species of goods, they will, no doubt, in the first instance, raise the profits of the producers. But this rise, by attracting capital from other employments, will increase the supply of goods proportionally to the demand, and speedily reduce profits to their former level.

otherwise might do, it will not probably sell them for less than they cost; nor, as in the case of bounties, for a price which will not replace the capital employed in bringing them to market, together with the ordinary profits of stock. The trade could not go on long if it did. Even the favouring country, therefore, may still gain by the trade, though less than if there was a free competition.

Some treaties of commerce, however, have been supposed advantageous upon principles very different from these; and a commercial country has sometimes granted a monopoly of this kind against itself to certain goods of a foreign nation, because it expected that in the whole commerce between them, it would annually sell more than it would buy, and that a balance in gold and silver would be annually returned to it. It is upon this principle that the treaty of commerce between England and Portugal, concluded in 1703, by Mr. Methuen, has been so much commended. The following is a literal translation of that treaty, which consists of three articles only:—

ART. I.

His sacred royal majesty of Portugal promises, both in his own name and that of his successors, to admit, for ever hereafter, into Portugal, the woollen cloths, and the rest of the woollen manufactures of the British, as was accustomed, till they were prohibited by the law; nevertheless upon this condition:

ART. II.

That is to say, that her sacred royal majesty of Great Britain shall, in her own name, and that of her successors, be obliged, for ever hereafter, to admit the wines of the growth of Portugal into Britain; so that at no time, whether there shall be peace or war between the kingdoms of Britain and France, any thing more shall be demanded for these wines by the name of custom or duty, or by whatsoever other title, directly or indirectly, whether they shall be imported into Great Britain in pipes or hogsheads, or other casks, than what shall be demanded for the like quantity or measure of French wine, deducting or abating a third part of the custom or duty. But if at any time this deduction or abatement of customs, which is to be made as aforesaid, shall in any manner be attempted and prejudiced, it shall be just and lawful for his sacred royal majesty of Portugal, again to prohibit the woollen cloths, and the rest of the British woollen manufactures.

ART. III.

The most excellent lords the plenipotentiaries promise and take upon themselves, that their above-named masters shall ratify this treaty; and within the space of two months the ratifications shall be exchanged.

By this treaty the crown of Portugal becomes bound to admit the English woollens upon the same footing as before the prohibition; that is, not to raise the duties which had been paid before that time. But it does not become bound to admit them upon any better terms than those of any other nation, of France or Holland, for example. The crown of Great Britain, on the contrary, becomes bound to admit the wines of Portugal, upon paying only two-thirds of the duty which is paid for those of France, the wines most likely to come into competition with them. So far this treaty, therefore, is evidently advantageous to Portugal, and disadvantageous to Great Britain.

It has been celebrated, however, as a masterpiece of the commercial policy of England. Portugal receives annually from the Brazils a greater quantity of gold than can be employed in its domestic commerce, whether in the shape of coin or of plate. The surplus is too valuable to be allowed to lie idle and locked up in coffers, and as it can find no advantageous market at home, it must, notwithstanding any prohibition, be sent abroad, and exchanged for something for which there is a more advantageous market at home. A large share of it comes annually to England, in return either for English goods, or for those of other European nations that receive their returns through England. Mr. Baretti was informed that the weekly packet-boat from Lisbon brings, one week with another, more than fifty thousand pounds in gold to England. The sum had probably been exaggerated. It would amount to more than two millions six hundred thousand pounds a year, which is more than the Brazils are supposed to afford.

Our merchants were some years ago out of humour with the crown of Portugal. Some privileges which had been granted them, not by treaty, but by the free grace of that crown, at the solicitation, indeed, it is probable, and in return for much greater favours, defence, and protection, from the crown of Great Britain, had been either infringed or revoked. The people, therefore, usually most interested in celebrating the Portugal trade, were then rather disposed to represent it as less advantageous than it had commonly been imagined. The far greater part, almost the whole, they pretended, of this annual importation of gold, was not on account of Great Britain, but of other European nations; the fruits and wines of Portugal annually imported into Great Britain nearly compensating the value of the British goods sent thither.

Let us suppose, however, that the whole was on account of Great Britain, and that it amounted to a still greater sum than Mr. Baretti seems to imagine: this trade would not, upon that account, be more advanta-

geous than any other in which, for the same value sent out, we received an equal value of consumable goods in return.

It is but a very small part of this importation which, it can be supposed, is employed as an annual addition either to the plate or to the coin of the kingdom. The rest must all be sent abroad and exchanged for consumable goods of some kind or other. But if those consumable goods were purchased directly with the produce of English industry, it would be more for the advantage of England, than first to purchase with that produce the gold of Portugal, and afterwards to purchase with that gold those consumable goods. A direct foreign trade of consumption is always more advantageous than a roundabout one; and to bring the same value of foreign goods to the home market, requires a much smaller capital in the one way than in the other. If a smaller share of its industry, therefore, had been employed in producing goods fit for the Portugal market, and a greater in producing those fit for the other markets, where those consumable goods for which there is a demand in Great Britain are to be had, it would have been more for the advantage of England. To procure both the gold, which it wants for its own use, and the consumable goods, would, in this way, employ a much smaller capital than at present. There would be a spare capital, therefore, to be employed for other purposes, in exciting an additional quantity of industry, and in raising a greater annual produce.

Though Britain were entirely excluded from the Portugal trade, it could find very little difficulty in procuring all the annual supplies of gold which it wants, either for the purposes of plate, or of coin, or of foreign trade. Gold, like every other commodity, is always somewhere or another to be got for its value, by those who have that value to give for it. The annual surplus of gold in Portugal, besides, would still be sent abroad, and though not carried away by Great Britain, would be carried away by some other nation, which would be glad to sell it again for its price, in the same manner as Great Britain does at present. In buying gold of Portugal, indeed, we buy it at the first hand; whereas, in buying it of any other nation, except Spain, we should buy it at the second, and might pay somewhat dearer. This difference, however, would surely be too insignificant to deserve the public attention.

Almost all our gold, it is said, comes from Portugal. With other nations the balance of trade is either against us, or not much in our favour. But we should remember, that the more gold we import from one country, the less we must necessarily import from all others. The effectual demand for gold, like that for every other commodity, is in every country limited to a certain quantity. If nine-tenths of this quantity are imported from one country, there remains a tenth only to be imported from all others. The more gold besides that is annually imported from some particular countries, over and above what is requisite for plate and for coin, the more must necessarily be exported to some others; and the more that most insignificant object of modern policy, the balance of trade, appears to be in our favour with some particular countries, the more it must necessarily appear to be against us with many others.

It was upon this silly notion, however, that England could not subsist without the Portugal trade, that, towards the end of the late war, France and Spain, without pretending either offence or provocation, required the king of Portugal to exclude all British ships from his ports, and for the security of this exclusion, to receive into them French or Spanish garrisons. Had the king of Portugal submitted to those ignominious terms which his brother-in-law the king of Spain proposed to him, Britain would have been freed from a much greater inconveniency than the loss of the Portugal trade, the burden of supporting a very weak ally, so unprovided of everything for his own defence, that the whole power of England, had it been directed to that single purpose, could scarce perhaps have defended him for another campaign. The loss of the Portugal trade would, no doubt, have occasioned a considerable embarrassment to the merchants at that time engaged in it, who might not, perhaps, have found out, for a year or two, any other equally advantageous method of employing their capitals; and in this would probably have consisted all the inconveniency which England could have suffered from this notable piece of commercial policy.

The great annual importation of gold and silver is neither for the purpose of plate nor of coin, but of foreign trade. A roundabout foreign trade of consumption can be carried on more advantageously by means of these metals than of almost any other goods. As they are the universal instruments of commerce, they are more readily received in return for all commodities than any other goods; and on account of their small bulk and great value, it costs less to transport them backward and forward from one place to another than almost any other sort of merchandise, and they lose less of their value by being so transported. Of all the commodities, therefore, which are bought in one foreign country, for no other purpose but to be sold or exchanged again for some other goods in another, there are none so convenient as gold and silver. In

facilitating all the different roundabout foreign trades of consumption which are carried on in Great Britain, consists the principal advantage of the Portugal trade; and though it is not a capital advantage, it is, no doubt, a considerable one.

That any annual addition which, it can reasonably be supposed, is made either to the plate or to the coin of the kingdom, could require but a very small annual importation of gold and silver, seems evident enough; and though we had no direct trade with Portugal, this small quantity could always, somewhere or other, be very easily got.

Though the goldsmiths' trade be very considerable in Great Britain, the far greater part of the new plate which they annually sell, is made from other old plate melted down; so that the addition annually made to the whole plate of the kingdom cannot be very great, and could require but a very small annual importation.

It is the same case with the coin. Nobody imagines, I believe, that even the greater part of the annual coinage, amounting, for ten years together, before the late reformation of the gold coin, to upwards of eight hundred thousand pounds a year in gold, was an annual addition to the money before current in the kingdom. In a country where the expense of the coinage is defrayed by the government, the value of the coin, even when it contains its full standard weight of gold and silver, can never be much greater than that of an equal quantity of those metals uncoined; because it requires only the trouble of going to the mint, and the delay perhaps of a few weeks, to procure for any quantity of uncoined gold and silver an equal quantity of those metals in coin. But, in every country, the greater part of the current coin is almost always more or less worn, or otherwise degenerated from its standard. In Great Britain it was, before the late reformation, a good deal so, the gold being more than two per cent., and the silver more than eight per cent. below its standard weight. But if forty-four guineas and a half, containing their full standard weight, a pound weight of gold, could purchase very little more than a pound weight of uncoined gold, forty-four guineas and a half wanting a part of their weight could not purchase a pound weight, and something was to be added in order to make up the deficiency. The current price of gold bullion at market, therefore, instead of being the same with the mint price, or 46*l.* 14*s.* 6*d.*, was then about 47*l.* 14*s.*, and sometimes about forty-eight pounds. When the greater part of the coin, however, was in this degenerate condition, forty-four guineas and a half, fresh from the mint, would purchase no more goods in the market than any other ordinary guineas, because, when they came into the coffers of the merchant, being confounded with other money, they could not afterwards be distinguished without more trouble than the difference was worth. Like other guineas they were worth no more than 46*l.* 14*s.* 6*d.* If thrown into the melting pot, however, they produced, without any sensible loss, a pound weight of standard gold, which could be sold at any time for between 47*l.* 14*s.* and 48*l.*, either in gold or silver, as fit for all the purposes of coin as that which had been melted down. There was an evident profit, therefore, in melting down new coined money, and it was done so instantaneously, that no precaution of government could prevent it. The operations of the mint were, upon this account, somewhat like the web of Penelope; the work that was done in the day was undone in the night. The mint was employed, not so much in making daily additions to the coin, as in replacing the very best part of it which was daily melted down.

Were the private people who carry their gold and silver to the mint to pay themselves for the coinage, it would add to the value of those metals in the same manner as the fashion does to that of plate. Coined gold and silver would be more valuable than uncoined. The seignorage, if it was not exorbitant, would add to the bullion the whole value of the duty; because, the government having everywhere the exclusive privilege of coining, no coin can come to market cheaper than they think proper to afford it. If the duty was exorbitant indeed, that is, if it was very much above the real value of the labour and expense requisite for coinage, false coiners, both at home and abroad, might be encouraged, by the great difference between the value of bullion and that of coin, to pour in so great a quantity of counterfeit money as might reduce the value of the government money. In France, however, though the seignorage is eight per cent. no sensible inconveniency of this kind is found to arise from it.[1] The dangers to which a false coiner is everywhere exposed, if he lives in the country of which he counterfeits the coin, and to which his agents or correspondents are exposed if he lives in a foreign country, are by far too great to be incurred for the sake of a profit of six or seven per cent.

The seignorage in France raises the value of the coin higher than in proportion to the quantity of pure gold which it contains. Thus, by the edict of January, 1726,

[1] It has been previously shown (p. 21.) that the seignorage in France was not nearly so great as Dr. Smith had been led to believe.

the[1] mint price of fine gold of twenty-four carats was fixed at seven hundred and forty livres nine sous and one denier one-eleventh, the mark of eight Paris ounces. The gold coin of France, making an allowance for the remedy of the mint, contains twenty-one carats and three-fourths of fine gold, and two carats one-fourth of alloy. The mark of standard gold, therefore, is worth no more than about six hundred and seventy-one livres ten deniers. But in France this mark of standard gold is coined into thirty Louis-d'ors of twenty-four livres each, or into seven hundred and twenty livres. The coinage, therefore, increases the value of a mark of standard gold bullion, by the difference between six hundred and seventy-one livres ten deniers, and seven hundred and twenty livres; or by forty-eight livres nineteen sous and two deniers.

A seignorage will, in many cases, take away altogether, and will, in all cases, diminish the profit of melting down the new coin. This profit always arises from the difference between the quantity of bullion which the common currency ought to contain, and that which it actually does contain. If this difference is less than the seignorage, there will be loss instead of profit. If it is equal to the seignorage, there will neither be profit nor loss. If it is greater than the seignorage, there will indeed be some profit, but less than if there was no seignorage. If, before the late reformation of the gold coin, for example, there had been a seignorage of five per cent. upon the coinage, there would have been a loss of three per cent. upon the melting down of the gold coin. If the seignorage had been two per cent. there would have been neither profit nor loss. If the seignorage had been one per cent. there would have been a profit, but of one per cent. only, instead of two per cent. Wherever money is received by tale, therefore, and not by weight, a seignorage is the most effectual preventative of the melting down of the coin, and, for the same reason, of its exportation. It is the best and heaviest pieces that are commonly either melted down or exported; because it is upon such that the largest profits are made.

The law for the encouragement of the coinage, by rendering it duty-free, was first enacted, during the reign of Charles II., for a limited time; and afterwards continued, by different prolongations, till 1769, when it was rendered perpetual. The Bank of England, in order to replenish their coffers with money, are frequently obliged to carry bullion to the mint; and it was more for their interest, they probably imagined, that the coinage should be at the expense of the government, than at their own. It was, probably, out of complaisance to this great company that the government agreed to render this law perpetual. Should the custom of weighing gold, however, come to be disused, as it is very likely to be on account of its inconveniency; should the gold coin of England come to be received by tale, as it was before the late re-coinage, this great company may, perhaps, find that they have upon this, as upon some other occasions, mistaken their own interest not a little.

Before the late re-coinage, when the gold currency of England was two per cent. below its standard weight, as there was no seignorage, it was two per cent. below the value of that quantity of standard gold bullion which it ought to have contained. When this great company, therefore, bought gold bullion in order to have it coined, they were obliged to pay for it two per cent. more than it was worth after the coinage. But if there had been a seignorage of two per cent. upon the coinage, the common gold currency, though two per cent. below its standard weight, would, notwithstanding, have been equal in value to the quantity of standard gold which it ought to have contained; the value of the fashion compensating in this case the diminution of the weight. They would indeed have had the seignorage to pay, which being two per cent., their loss upon the whole transaction would have been two per cent.; exactly the same, but no greater than it actually was.

If the seignorage had been five per cent. and the gold currency only two per cent. below its standard weight, the bank would in this case have gained three per cent. upon the price of the bullion; but as they would have had a seignorage of five per cent. to pay upon the coinage, their loss upon the whole transaction would, in the same manner, have been exactly two per cent.

If the seignorage had been only one per cent. and the gold currency two per cent. below its standard weight, the bank would in this case have lost only one per cent. upon the price of the bullion; but as they would likewise have had a seignorage of one per cent. to pay, their loss upon the whole transaction would have been exactly two per cent. in the same manner as in all other cases.

If there was a reasonable seignorage, while at the same time the coin contained its full standard weight, as it has done very nearly since the late re-coinage, whatever the bank might lose by the seignorage, they would gain upon the price of the bullion; and whatever they might gain upon the price of the bullion, they would lose by the seignorage. They would neither lose nor gain, therefore, upon the whole transaction, and

[1] See Dictionnaire des Monnoies, tom. ii. article Seigneurage, p. 489, par M. Abot de Bazinghen, Conseiller-Comissaire en la Cour des Monnoies à Paris (Note by the author.)

they would in this, as in all the foregoing cases, be exactly in the same situation as if there was no seignorage.

When the tax upon a commodity is so moderate as not to encourage smuggling, the merchant who deals in it, though he advances, does not properly pay the tax, as he gets it back in the price of the commodity. The tax is finally paid by the last purchaser or consumer. But money is a commodity with regard to which every man is a merchant. Nobody buys it but in order to sell it again; and with regard to it there is in ordinary cases no last purchaser or consumer. When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though every body advances the tax, nobody finally pays it; because every body gets it back in the advanced value of the coin.

A moderate seignorage, therefore, would not in any case augment the expense of the bank, or of any other private persons who carry their bullion to the mint in order to be coined, and the want of a moderate seignorage does not in any case diminish it. Whether there is or is not a seignorage, if the currency contains its full standard weight, the coinage costs nothing to any body, and if it is short of that weight, the coinage must always cost the difference between the quantity of bullion which ought to be contained in it, and that which actually is contained in it.

The government, therefore, when it defrays the expense of coinage, not only incurs some small expense, but loses some small revenue which it might get by a proper duty; and neither the bank nor any other private persons are in the smallest degree benefited by this useless piece of public generosity.

The directors of the bank, however, would probably be unwilling to agree to the imposition of a seignorage, upon the authority of a speculation which promises them no gain, but only pretends to insure them from any loss. In the present state of the gold coin, and as long as it continues to be received by weight, they certainly would gain nothing by such a change. But if the custom of weighing the gold coin should ever go into disuse, as it is very likely to do, and if the gold coin should ever fall into the same state of degradation in which it was before the late re-coinage, the gain, or more properly the savings of the bank, in consequence of the imposition of a seignorage, would probably be very considerable. The Bank of England is the only company which sends any considerable quantity of bullion to the mint, and the burden of the annual coinage falls entirely, or almost entirely, upon it. If this annual coinage had nothing to do but to repair the unavoidable losses and necessary wear and tear of the coin, it could seldom exceed fifty thousand or at most a hundred thousand pounds. But when the coin is degraded below its standard weight, the annual coinage must, besides this, fill up the large vacuities which exportation and the melting pot are continually making in the current coin. It was upon this account that during the ten or twelve years immediately preceding the late reformation of the gold coin, the annual coinage amounted at an average to more than eight hundred and fifty thousand pounds. But if there had been a seignorage of four or five per cent. upon the gold coin, it would probably, even in the state in which things then were, have put an effectual stop to the business both of exportation and of the melting pot. The bank, instead of losing every year about two and a half per cent. upon the bullion which was to be coined into more than eight hundred and fifty thousand pounds, or incurring an annual loss of more than twenty-one thousand two hundred and fifty pounds, would not probably have incurred the tenth part of that loss.

The revenue allotted by parliament for defraying the expense of the coinage is but fourteen thousand pounds a year, and the real expense which it costs the government, or the fees of the officers of the mint, do not upon ordinary occasions, I am assured, exceed the half of that sum. The saving of so very small a sum, or even the gaining of another, which could not well be much larger, are objects too inconsiderable, it may be thought, to deserve the serious attention of government. But the saving of eighteen or twenty thousand pounds a year in case of an event which is not improbable, which has frequently happened before, and which is very likely to happen again, is surely an object which well deserves the serious attention even of so great a company as the Bank of England.

Some of the foregoing reasonings and observations might perhaps have been more properly placed in those chapters of the first book which treat of the origin and use of money, and of the difference between the real and the nominal price of commodities. But as the law for the encouragement of coinage derives its origin from those vulgar prejudices which have been introduced by the mercantile system, I judged it more proper to reserve them for this chapter. Nothing could be more agreeable to the spirit of that system than a sort of bounty upon the production of money, the very thing which, it supposes, constitutes the wealth of every nation. It is one of its many admirable expedients for enriching the country.

CHAP. VII.

Of Colonies.

PART I.

Of the Motives for establishing new Colonies.

THE interest which occasioned the first settlement of the different European colonies in America and the West Indies was not altogether so plain and distinct as that which directed the establishment of those of ancient Greece and Rome.

All the different states of ancient Greece possessed, each of them, but a very small territory, and when the people in any one of them multiplied beyond what that territory could easily maintain, a part of them were sent in quest of a new habitation in some remote and distant part of the world; the warlike neighbours who surrounded them on all sides, rendering it difficult for any of them to enlarge very much its territory at home. The colonies of the Dorians resorted chiefly to Italy and Sicily, which, in the times preceding the foundation of Rome, were inhabited by barbarous and uncivilised nations: those of the Ionians and Eolians, the two other great tribes of the Greeks, to Asia Minor and the islands of the Egean Sea, of which the inhabitants seem at that time to have been pretty much in the same state as those of Sicily and Italy. The mother city, though she considered the colony as a child, at all times entitled to great favour and assistance, and owing in return much gratitude and respect, yet considered it as an emancipated child, over whom she pretended to claim no direct authority or jurisdiction. The colony settled its own form of government, enacted its own laws, elected its own magistrates, and made peace or war with its neighbours as an independent state, which had no occasion to wait for the approbation or consent of the mother city. Nothing can be more plain and distinct than the interest which directed every such establishment.

Rome, like most of the other ancient republics, was originally founded upon an Agrarian law, which divided the public territory in a certain proportion among the different citizens who composed the state. The course of human affairs, by marriage, by succession, and by alienation, necessarily deranged this original division, and frequently threw the lands, which had been allotted for the maintenance of many different families, into the possession of a single person. To remedy this disorder, for such it was supposed to be, a law was made, restricting the quantity of land which any citizen could possess to five hundred jugera, about three hundred and fifty English acres. This law, however, though we read of its having been executed upon one or two occasions, was either neglected or evaded, and the inequality of fortunes went on continually increasing. The greater part of the citizens had no land, and without it the manners and customs of those times rendered it difficult for a freeman to maintain his independency. In the present times, though a poor man has no land of his own, if he has a little stock, he may either farm the lands of another, or he may carry on some little retail trade; and if he has no stock, he may find employment either as a country labourer, or as an artificer. But, among the ancient Romans, the lands of the rich were all cultivated by slaves, who wrought under an overseer, who was likewise a slave; so that a poor freeman had little chance of being employed either as a farmer or as a labourer. All trades and manufactures too, even the retail trade, were carried on by the slaves of the rich for the benefit of their masters, whose wealth, authority, and protection made it difficult for a poor freeman to maintain the competition against them. The citizens, therefore, who had no land, had scarce any other means of subsistence but the bounties of the candidates at the annual elections. The tribunes, when they had a mind to animate the people against the rich and the great, put them in mind of the ancient division of lands, and represented that law which restricted this sort of private property as the fundamental law of the republic. The people became clamorous to get land, and the rich and the great, we may believe, were perfectly determined not to give them any part of theirs. To satisfy them in some measure, therefore, they frequently proposed to send out a new colony. But conquering Rome was, even upon such occasions, under no necessity of turning out her citizens to seek their fortune, if one may say so, through the wide world, without knowing where they were to settle. She assigned them lands generally in the conquered provinces of Italy, where, being within the dominions of the republic, they could never form any independent state; but were at best but a sort of corporation, which, though it had the power of enacting by-laws for its own government, was at all times subject to the correction, jurisdiction, and legislative authority of the mother city. The sending out a colony of this kind, not only gave some satisfaction to the people, but often established a sort of garrison too in a newly conquered province, of which the obedience might otherwise have been doubtful. A Roman colony, therefore, whether we consider the nature of the establishment itself, or the motives for making it, was altogether different from a Greek one. The words accordingly, which in the original languages denote those different establishments, have very different meanings. The

Latin word, (*Colonia*) signifies simply a plantation. The Greek word (ἀποικία), on the contrary, signifies a separation of dwelling, a departure from home, a going out of the house. But though the Roman colonies were in many respects different from the Greek ones, the interest which prompted to establish them was equally plain and distinct. Both institutions derived their origin either from irresistible necessity, or from clear and evident utility.[1]

The establishment of the European colonies in America and the West Indies arose from no necessity; and though the utility which has resulted from them has been very great, it is not altogether so clear and evident. It was not understood at their first establishment, and was not the motive either of that establishment or of the discoveries which gave occasion to it; and the nature, extent, and limits of that utility are not, perhaps, well understood at this day.

The Venetians, during the fourteenth and fifteenth centuries, carried on a very advantageous commerce in spiceries and other East India goods, which they distributed among the other nations of Europe. They purchased them chiefly in Egypt, at that time under the dominion of the Mammeluks, the enemies of the Turks, of whom the Venetians were the enemies; and this union of interest, assisted by the money of Venice, formed such a connection as gave the Venetians almost a monopoly of the trade.

The great profits of the Venetians tempted the avidity of the Portuguese. They had been endeavouring, during the course of the fifteenth century, to find out by sea a way to the countries from which the Moors brought them ivory and gold dust across the Desert. They discovered the Madeiras, the Canaries, the Azores, the Cape de Verd islands, the coast of Guinea, that of Loango, Congo, Angola, and Benguela, and, finally, the Cape of Good Hope. They had long wished to share in the profitable traffic of the Venetians, and this last discovery opened to them a probable prospect of doing so. In 1497, Vasco de Gama sailed from the port of Lisbon with a fleet of four ships; and, after a navigation of eleven months, arrived upon the coast of Indostan, and thus completed a course of discoveries which had been pursued with great steadiness, and with very little interruption, for near a century together.

Some years before this, while the expectations of Europe were in suspense about the projects of the Portuguese, of which the success appeared yet to be doubtful, a Genoese pilot formed the yet more daring project of sailing to the East Indies by the West. The situation of those countries was at that time very imperfectly known in Europe. The few European travellers who had been there had magnified the distance; perhaps through simplicity and ignorance, what was really very great, appearing almost infinite to those who could not measure it; or, perhaps, in order to increase somewhat more the marvellous of their own adventures in visiting regions so immensely remote from Europe. The longer the way was by the East, Columbus very justly concluded, the shorter it would be by the West. He proposed, therefore, to take that way as both the shortest and the surest, and he had the good fortune to convince Isabella of Castile of the probability of his project. He sailed from the port of Palos in August, 1492, near five years before the expedition of Vasco de Gama set out from Portugal; and, after a voyage of between two and three months, discovered first some of the small Bahama or Lucayan islands,

[1] The constitution of the ancient colonies involves considerations which have excited a good deal of interest, and has been repeatedly investigated. A *Dissertation* by Bougainville, which gained a prize given by the French Academy for the best essay on this subject, was published in 1745. Professor Barron of St. Andrews, in an anonymous treatise on the *History of the Colonization of the Free States of Antiquity*, published in 1777, laboured to prove that the ancients exercised the same species of control over their colonists that has been commonly exercised by the moderns. Barron's tract was answered by Dr. Symonds of Cambridge, who published *Remarks* on it in 1778; and by Sir William Meredith, in his *Historical Remarks on the Taxation of Free States*, published in 1781. Heyne has some learned disquisitions on this subject in his *Opuscula Academica*. Perhaps, however, the best work on the colonies of the ancients, is that of St. Croix, *De l'Etat et du Sort des Anciennes Colonies*, published in 1778. There is an excellent account of the Roman system of colonisation in the *Verona Illustrata* of the learned Marquis Maffei. Itaoul Rochette, in his voluminous work, *Sur les Colonies Grecques*, has investigated their history with the greatest minuteness; but he is deficient in knowledge of principle, and his general views are narrow and superficial.

Notwithstanding the numerous works that have appeared on colonial policy during this century, a really good treatise on that subject is still a desideratum. Bryan Edwards' *History of the British West Indian Colonies* is ably written; but he exaggerates their importance, and has a strong bias in favour of the slaveholders. Lord Brougham's *Colonial Policy* was published in 1803. It contains accounts of the colonial systems of the different European nations; but in other respects the work is of little value. The learned Lord exaggerates the importance of colonies even more than Edwards; he defends or extenuates the restrictions so frequently imposed on their trade, and which have uniformly been as injurious to the mother countries as to the colonies; and he contends, in vindication of these restrictions, that 'the interests of traders, in the employment of their capitals, are by no means the same, in all cases, with the interests of the community to which they belong." (V. i. p. 254.) No one needs be much surprised that, despite the celebrity of its author, such a work, if not actually still-born, speedily sunk into oblivion.

Of the more recent works on colonies the best are Sir G. C. Lewis's "Treatise on the Government of Dependencies," and Merivale's "Lectures on Colonization." The "Empire" of Mr. Goldwin Smith (1863), is an energetic pleading on behalf of the emancipation of the colonies. For further considerations and details in regard to this important subject, the reader is referred to the supplementary note on Colonial Policy.

and afterwards the great island of St. Domingo.

But the countries which Columbus discovered, either in this or in any of his subsequent voyages, had no resemblance to those which he had gone in quest of. Instead of the wealth, cultivation, and populousness of China and Indostan, he found, in St. Domingo, and in all the other parts of the new world which he ever visited, nothing but a country quite covered with wood, uncultivated, and inhabited only by some tribes of naked and miserable savages. He was not very willing, however, to believe that they were not the same with some of the countries described by Marco Polo, the first European who had visited, or at least had left behind him, any description of China or the East Indies; and a very slight resemblance, such as that which he found between the name of Cibao, a mountain in St. Domingo, and that of Cipango, mentioned by Marco Polo, was frequently sufficient to make him return to this favourite prepossession, though contrary to the clearest evidence. In his letters to Ferdinand and Isabella he called the countries which he had discovered, the Indies. He entertained no doubt but that they were the extremity of those which had been described by Marco Polo, and that they were not very distant from the Ganges, or from the countries which had been conquered by Alexander. Even when at last convinced that they were different, he still flattered himself that those rich countries were at no great distance; and, in a subsequent voyage, accordingly, went in quest of them along the coast of Terra Firma, and towards the isthmus of Darien.

In consequence of this mistake of Columbus, the name of the Indies has stuck to those unfortunate countries ever since; and when it was at last clearly discovered that the new were altogether different from the old Indies, the former were called the West, in contradistinction to the latter, which were called the East Indies.

It was of importance to Columbus, however, that the countries which he had discovered, whatever they were, should be represented to the court of Spain as of very great consequence; and, in what constitutes the real riches of every country, the animal and vegetable productions of the soil, there was at that time nothing which could well justify such a representation of them.

The Cori, something between a rat and a rabbit, and supposed by Mr. Buffon to be the same with the Aperea of Brazil, was the largest viviparous quadruped in St. Domingo. This species seems never to have been very numerous, and the dogs and cats of the Spaniards are said to have long ago almost entirely extirpated it, as well as some other tribes of a still smaller size. These, however, together with a pretty large lizard, called the Ivana or Iguana, constituted the principal part of the animal food which the land afforded.

The vegetable food of the inhabitants, though from their want of industry not very abundant, was not altogether so scanty. It consisted in Indian corn, yams, potatoes, bananes, &c., plants which were then altogether unknown in Europe, and which have never since been very much esteemed in it, or supposed to yield a sustenance equal to what is drawn from the common sorts of grain and pulse, which have been cultivated in this part of the world time out of mind.

The cotton plant, indeed, afforded the material of a very important manufacture, and was at that time to Europeans undoubtedly the most valuable of all the vegetable productions of those islands. But though in the end of the fifteenth century, the muslins and other cotton goods of the East Indies were much esteemed in every part of Europe, the cotton manufacture itself was not cultivated in any part of it. Even this production, therefore, could not at that time appear in the eyes of Europeans to be of very great consequence.

Finding nothing either in the animals or vegetables of the newly discovered countries, which could justify a very advantageous representation of them, Columbus turned his view towards their minerals; and in the richness of the productions of this third kingdom, he flattered himself he had found a full compensation for the insignificancy of those of the other two. The little bits of gold with which the inhabitants ornamented their dress, and which, he was informed, they frequently found in the rivulets and torrents that fell from the mountains, were sufficient to satisfy him that those mountains abounded with the richest gold mines. St. Domingo, therefore, was represented as a country abounding with gold; and, upon that account (according to the prejudices not only of the present times, but of those times), an inexhaustible source of real wealth to the crown and kingdom of Spain. When Columbus, upon his return from his first voyage, was introduced with a sort of triumphal honours to the sovereigns of Castile and Arragon, the principal productions of the countries which he had discovered were carried in solemn procession before him. The only valuable part of them consisted in some little fillets, bracelets, and other ornaments of gold, and in some bales of cotton. The rest were mere objects of vulgar wonder and curiosity; some reeds of an extraordinary size, some birds of a very beautiful plumage, and some stuffed skins of the huge alligator and

manati; all of which were preceded by six or seven of the wretched natives, whose singular colour and appearance added greatly to the novelty of the show.

In consequence of the representations of Columbus, the council of Castile determined to take possession of countries of which the inhabitants were plainly incapable of defending themselves. The pious purpose of converting them to Christianity sanctified the injustice of the project. But the hope of finding treasures of gold there was the sole motive which prompted to undertake it; and to give this motive the greater weight, it was proposed by Columbus that the half of all the gold and silver that should be found there should belong to the crown. This proposal was approved of by the council.

As long as the whole or the far greater part of the gold which the first adventurers imported into Europe, was got by so very easy a method as the plundering of the defenceless natives, it was not, perhaps, very difficult to pay even this heavy tax; but when the natives were once fairly stript of all that they had, which, in St. Domingo, and in all the other countries discovered by Columbus, was done completely in six or eight years, and when in order to find more it had become necessary to dig for it in the mines, there was no longer any possibility of paying this tax. The rigorous exaction of it, accordingly, first occasioned, it is said, the total abandoning of the mines of St. Domingo, which have never been wrought since. It was soon reduced, therefore, to a third, then to a fifth, afterwards to a tenth, and at last to a twentieth part of the gross produce of the gold mines. The tax upon silver continued for a long time to be a fifth of the gross produce. It was reduced to a tenth only in the course of the present century. But the first adventurers do not appear to have been much interested about silver. Nothing less precious than gold seemed worthy of their attention.

All the other enterprizes of the Spaniards in the new world, subsequent to those of Columbus, seem to have been prompted by the same motive. It was the sacred thirst of gold that carried Oieda, Nicuessa, and Vasco Nugnes de Balboa, to the isthmus of Darien, that carried Cortez to Mexico, and Almagro and Pizzarro to Chili and Peru. When those adventurers arrived upon any unknown coast, their first inquiry was always if there was any gold to be found there; and according to the information which they received concerning this particular, they determined either to quit the country or to settle in it.

Of all those expensive and uncertain projects, however, which bring bankruptcy upon the greater part of the people who engage in them, there is none, perhaps, more perfectly ruinous than the search after new silver and gold mines. It is, perhaps, the most disadvantageous lottery in the world, or the one in which the gain of those who draw the prizes bears the least proportion to the loss of those who draw the blanks; for though the prizes are few and the blanks many, the common price of a ticket is the whole fortune of a very rich man. Projects of mining, instead of replacing the capital employed in them, together with the ordinary profits of stock, commonly absorb both capital and profit. They are the projects, therefore, to which of all others a prudent lawgiver, who desired to increase the capital of his nation, would least choose to give any extraordinary encouragement, or to turn towards them a greater share of that capital than what would go to them of its own accord. Such in reality is the absurd confidence which almost all men have in their own good fortune, that wherever there is the least probability of success, too great a share of it is apt to go to them of its own accord.

But though the judgment of sober reason and experience concerning such projects has always been extremely unfavourable, that of human avidity has commonly been quite otherwise. The same passion which has suggested to so many people the absurd idea of the philosopher's stone, has suggested to others the equally absurd one of immense rich mines of gold and silver. They did not consider that the value of those metals has, in all ages and nations, arisen chiefly from their scarcity, and that their scarcity has arisen from the very small quantities of them which nature has any where deposited in one place, from the hard and intractable substances with which she has almost every where surrounded those small quantities, and consequently from the labour and expense which are every where necessary in order to penetrate to and get at them. They flattered themselves that veins of those metals might in many places be found as large and as abundant as those which are commonly found of lead, or copper, or tin, or iron. The dream of Sir Walter Raleigh concerning the golden city and country of Eldorado, may satisfy us, that even wise men are not always exempt from such strange delusions. More than a hundred years after the death of that great man, the Jesuit Gumila was still convinced of the reality of that wonderful country, and expressed with great warmth, and I dare to say, with great sincerity, how happy he should be to carry the light of the gospel to a people who could so well reward the pious labours of their missionary.

In the countries first discovered by the Spaniards, no gold or silver mines are at present known which are supposed to be worth the working. The quantities of those metals which the first adventurers are said to

have found there, had probably been very much magnified, as well as the fertility of the mines which were wrought immediately after the first discovery. What those adventurers were reported to have found, however, was sufficient to inflame the avidity of all their countrymen. Every Spaniard who sailed to America expected to find an Eldorado. Fortune, too, did upon this what she has done upon very few other occasions: she realised in some measure the extravagant hopes of her votaries, and in the discovery and conquest of Mexico and Peru (of which the one happened about thirty, the other about forty, years after the first expedition of Columbus), she presented them with something not very unlike that profusion of the precious metals which they sought for.

A project of commerce to the East Indies, therefore, gave occasion to the first discovery of the West. A project of conquest gave occasion to all the establishments of the Spaniards in those newly discovered countries. The motive which excited them to this conquest was a project of gold and silver mines; and a course of accidents, which no human wisdom could foresee, rendered this project much more successful than the undertakers had any reasonable grounds for expecting.

The first adventurers of all the other nations of Europe, who attempted to make settlements in America, were animated by the like chimerical views; but they were not equally successful. It was more than a hundred years after the first settlement of the Brazils, before any silver, gold, or diamond mines were discovered there. In the English, French, Dutch, and Danish colonies, none have ever yet been discovered; at least none that are at present supposed to be worth the working. The first English settlers in North America, however, offered a fifth of all the gold and silver which should be found there to the king, as a motive for granting them their patents. In the patents to Sir Walter Raleigh, to the London and Plymouth companies, to the council of Plymouth, &c. this fifth was accordingly reserved to the crown. To the expectation of finding gold and silver mines, those first settlers too joined that of discovering a north-west passage to the East Indies. They have hitherto been disappointed in both.

PART II.

Causes of the Prosperity of new Colonies.

THE colony of a civilised nation which takes possession, either of a waste country, or of one so thinly inhabited, that the natives easily give place to the new settlers, advances more rapidly to wealth and greatness than any other human society.

The colonists carry out with them a knowledge of agriculture and of other useful arts, superior to what can grow up of its own accord in the course of many centuries among savage and barbarous nations. They carry out with them too the habit of subordination, some notion of the regular government which takes place in their own country, of the system of laws which support it, and of a regular administration of justice; and they naturally establish something of the same kind in the new settlement. But among savage and barbarous nations, the natural progress of law and government is still slower than the natural progress of arts, after law and government have been so far established, as is necessary for their protection. Every colonist gets more land than he can possibly cultivate. He has no rent, and scarce any taxes to pay. No landlord shares with him in its produce, and the share of the sovereign is commonly but a trifle. He has every motive to render as great as possible a produce, which is thus to be almost entirely his own. But his land is commonly so extensive, that with all his own industry, and with all the industry of other people whom he can get to employ, he can seldom make it produce the tenth part of what it is capable of producing. He is eager, therefore, to collect labourers from all quarters, and to reward them with the most liberal wages. But those liberal wages, joined to the plenty and cheapness of land, soon make those labourers leave him, in order to become landlords themselves, and to reward, with equal liberality, other labourers, who soon leave them for the same reason that they left their first master. The liberal reward of labour encourages marriage. The children, during the tender years of infancy, are well fed and properly taken care of; and when they are grown up, the value of their labour greatly overpays their maintenance. When arrived at maturity, the high price of labour, and the low price of land, enable them to establish themselves in the same manner as their fathers did before them.

In other countries, rent and profit eat up wages, and the two superior orders of people oppress the inferior one. But in new colonies, the interest of the two superior orders obliges them to treat the inferior one with more generosity and humanity; at least, where that inferior one is not in a state of slavery. Waste lands, of the greatest natural fertility, are to be had for a trifle. The increase of revenue which the proprietor, who is always the undertaker, expects from their improvement, constitutes his profit; which in these circumstances is commonly very great. But this great profit cannot be made without employing the labour of other people in clearing and cultivating the land; and the disproportion between the great extent of the land and the small number of the people,

which commonly takes place in new colonies, makes it difficult for him to get this labour. He does not, therefore, dispute about wages, but is willing to employ labour at any price. The high wages of labour encourage population. The cheapness and plenty of good land encourage improvement, and enable the proprietor to pay those high wages. In those wages consists almost the whole price of the land; and though they are high, considered as the wages of labour, they are low, considered as the price of what is so very valuable. What encourages the progress of population and improvement, encourages that of real wealth and greatness.

The progress of many of the ancient Greek colonies towards wealth and greatness seems accordingly to have been very rapid. In the course of a century or two, several of them appear to have rivalled, and even to have surpassed, their mother cities. Syracuse and Agrigentum in Sicily, Tarentum and Locri in Italy, Ephesus and Miletus in Lesser Asia, appear by all accounts to have been at least equal to any of the cities of ancient Greece. Though posterior in their establishment, yet all the arts of refinement, philosophy, poetry, and eloquence, seem to have been cultivated as early, and to have been improved as highly, in them, as in any part of the mother country. The schools of the two oldest Greek philosophers, those of Thales and Pythagoras, were established, it is remarkable, not in ancient Greece, but the one in an Asiatic the other in an Italian colony. All those colonies had established themselves in countries inhabited by savage and barbarous nations, who easily gave place to the new settlers. They had plenty of good land; and as they were altogether independent of the mother city, they were at liberty to manage their own affairs in the way that they judged was most suitable to their own interest.

The history of the Roman colonies is by no means so brilliant. Some of them, indeed, such as Florence, have in the course of many ages, and after the fall of the mother city, grown up to be considerable states. But the progress of no one of them seems ever to have been very rapid. They were all established in conquered provinces, which in most cases had been fully inhabited before. The quantity of land assigned to each colonist was seldom very considerable; and as the colony was not independent, they were not always at liberty to manage their own affairs in the way that they judged was most suitable to their own interest.

In the plenty of good land, the European colonies established in America and the West Indies resemble, and even greatly surpass, those of ancient Greece. In their dependency upon the mother state, they resemble those of ancient Rome; but their great distance from Europe has in all of them alleviated more or less the effects of this dependency. Their situation has placed them less in the view and less in the power of their mother country. In pursuing their interest their own way, their conduct has, upon many occasions, been overlooked, either because not known or not understood in Europe; and upon some occasions it has been fairly suffered and submitted to, because their distance rendered it difficult to restrain it. Even the violent and arbitrary government of Spain has, upon many occasions, been obliged to recal or soften the orders which had been given for the government of her colonies, for fear of a general insurrection. The progress of all the European colonies in wealth, population, and improvement, has accordingly been very great.

The crown of Spain, by its share of the gold and silver, derived some revenue from its colonies, from the moment of their first establishment. It was a revenue, too, of a nature to excite in human avidity the most extravagant expectations of still greater riches. The Spanish colonies, therefore, from the moment of their first establishment, attracted very much the attention of their mother country; while those of the other European nations were for a long time in a great measure neglected. The former did not, perhaps, thrive the better in consequence of this attention; nor the latter the worse in consequence of this neglect. In proportion to the extent of the country which they in some measure possess, the Spanish colonies are considered as less populous and thriving than those of almost of any other European nation. The progress even of the Spanish colonies, however, in population and improvement, has certainly been very rapid and very great. The city of Lima, founded since the conquest, is represented by Ulloa, as containing fifty thousand inhabitants near thirty years ago. Quito, which had been but a miserable hamlet of Indians, is represented by the same author as in his time equally populous. Gemelli Carreri, a pretended traveller, it is said, indeed, but who seems every where to have written upon extreme good information, represents the city of Mexico as containing a hundred thousand inhabitants,—a number which, in spite of all the exaggerations of the Spanish writers, is, probably, more than five times greater than what it contained in the time of Montezuma. These numbers exceed greatly those of Boston, New York, and Philadelphia, the three greatest cities of the English colonies.[1]

[1] The population of the different countries and cities of America has been greatly increased since the publication of the *Wealth of Nations*. We have given some statements as to the present population of America, and the West Indies, with Humboldt's classification of the different races, in the supplemental note on Colonies.

Before the conquest of the Spaniards, there were no cattle fit for draught either in Mexico or Peru. The lama was their only beast of burthen, and its strength seems to have been a good deal inferior to that of a common ass. The plough was unknown among them. They were ignorant of the use of iron. They had no coined money, nor any established instrument of commerce of any kind. Their commerce was carried on by barter. A sort of wooden spade was the principal instrument of agriculture. Sharp stones served them for knives and hatchets to cut with; fish bones and the hard sinews of certain animals served them for needles to sew with; and these seem to have been their principal instruments of trade. In this state of things, it seems impossible that either of those empires could have been so much improved or so well cultivated as at present, when they are plentifully furnished with all sorts of European cattle, and when the use of iron, of the plough, and of many of the arts of Europe, has been introduced among them. But the populousness of every country must be in proportion to the degree of its improvement and cultivation. In spite of the cruel destruction of the natives which followed the conquest, these two great empires are, probably, more populous now than they ever were before: and the people are surely very different; for we must acknowledge, I apprehend, that the Spanish creoles are in many respects superior to the ancient Indians.

After the settlements of the Spaniards, that of the Portuguese in Brazil is the oldest of any European nation in America. But as for a long time after the first discovery, neither gold nor silver mines were found in it, and as it afforded, upon that account, little or no revenue to the crown, it was for a long time in a great measure neglected; and during this state of neglect, it grew up to be a great and powerful colony. While Portugal was under the dominion of Spain, Brazil was attacked by the Dutch, who got possession of seven of the fourteen provinces into which it is divided. They expected soon to conquer the other seven, when Portugal recovered its independency by the elevation of the family of Braganza to the throne. The Dutch then, as enemies to the Spaniards, became friends to the Portuguese, who were likewise the enemies of the Spaniards. They agreed, therefore, to leave that part of Brazil which they had not conquered to the king of Portugal, who agreed to leave that part which they had conquered to them, as a matter not worth disputing about with such good allies. But the Dutch government soon began to oppress the Portuguese colonists, who, instead of amusing themselves with complaints, took arms against their new masters, and by their own valour and resolution, with the connivance, indeed, but without any avowed assistance from the mother country, drove them out of Brazil. The Dutch, therefore, finding it impossible to keep any part of the country to themselves, were contented that it should be entirely restored to the crown of Portugal. In this colony there are said to be more than six hundred thousand people, either Portuguese or descended from Portuguese, creoles, mulattoes, and a mixed race between Portuguese and Brazilians. No one colony in America is supposed to contain so great a number of people of European extraction.

Towards the end of the fifteenth, and during the greater part of the sixteenth, century, Spain and Portugal were the two great naval powers upon the ocean; for though the commerce of Venice extended to every part of Europe, its fleets had scarce ever sailed beyond the Mediterranean. The Spaniards, in virtue of the first discovery, claimed all America as their own; and though they could not hinder so great a naval power as that of Portugal from settling in Brazil, such was, at that time, the terror of their name, that the greater part of the other nations of Europe were afraid to establish themselves in any other part of that great continent. The French, who attempted to settle in Florida, were all murdered by the Spaniards. But the declension of the naval power of this latter nation, in consequence of the defeat or miscarriage of what they called their Invincible Armada, which happened towards the end of the sixteenth century, put it out of their power to obstruct any longer the settlements of the other European nations. In the course of the seventeenth century, therefore, the English, French, Dutch, Danes, and Swedes, all the great nations who had any ports upon the ocean, attempted to make some settlements in the new world.

The Swedes established themselves in New Jersey: and the number of Swedish families still to be found there sufficiently demonstrates that this colony was very likely to prosper, had it been protected by the mother country; but being neglected by Sweden, it was soon swallowed up by the Dutch colony of New York, which again, in 1674, fell under the dominion of the English.

The small islands of St. Thomas and Santa Cruz are the only countries in the new world that have ever been possessed by the Danes. These little settlements, too, were under the government of an exclusive company, which had the sole right, both of purchasing the surplus produce of the colonists, and of supplying them with such goods of other countries as they wanted, and which, therefore, both in its purchases and sales, had not only the power of oppressing them, but the greatest temptation to do so. The government of an exclusive company of mer-

chants is, perhaps, the worst of all governments for any country whatever. It was not, however, able to stop altogether the progress of these colonies, though it rendered it more slow and languid. The late king of Denmark dissolved this company, and since that time the prosperity of these colonies has been very great.

The Dutch settlements in the West, as well as those in the East, Indies were originally put under the government of an exclusive company. The progress of some of them, therefore, though it has been considerable, in comparison with that of almost any country that has been long peopled and established, has been languid and slow in comparison with that of the greater part of new colonies. The colony of Surinam, though very considerable, is still inferior to the greater part of the sugar colonies of the other European nations. The colony of Nova Belgia, now divided into the two provinces of New York and New Jersey, would probably have soon become considerable too, even though it had remained under the government of the Dutch. The plenty and cheapness of good land are such powerful causes of prosperity, that the very worst government is scarce capable of checking altogether the efficacy of their operation. The great distance too from the mother country would enable the colonists to evade more or less, by smuggling, the monopoly which the company enjoyed against them. At present the company allows all Dutch ships to trade to Surinam upon paying two and a half per cent. upon the value of their cargo for a licence; and only reserves to itself exclusively the direct trade from Africa to America, which consists almost entirely in the slave trade. This relaxation in the exclusive privileges of the company is probably the principal cause of that degree of prosperity which that colony at present enjoys. Curaçoa and Eustatia, the two principal islands belonging to the Dutch, are free ports open to the ships of all nations; and this freedom, in the midst of better colonies whose ports are open to those of one nation only, has been the great cause of the prosperity of those two barren islands.

The French colony of Canada was, during the greater part of the last century, and some part of the present, under the government of an exclusive company. Under so unfavourable an administration its progress was necessarily very slow in comparison with that of other new colonies; but it became much more rapid when this company was dissolved after the fall of what is called the Mississippi scheme. When the English got possession of this country, they found in it near double the number of inhabitants which father Charlevoix had assigned to it between twenty and thirty years before. That jesuit had travelled over the whole country, and had no inclination to represent it as less considerable than it really was.

The French colony of St. Domingo was established by pirates and freebooters, who for a long time neither required the protection nor acknowledged the authority of France; and when that race of banditti became so far citizens as to acknowledge this authority, it was for a long time necessary to exercise it with very great gentleness. During this period the population and improvement of this colony increased very fast. Even the oppression of the exclusive company, to which it was for some time subjected, with all the other colonies of France, though it no doubt retarded, had not been able to stop, its progress altogether. The course of its prosperity returned as soon as it was relieved from that oppression. It is now the most important of the sugar colonies of the West Indies, and its produce is said to be greater than that of all the English sugar colonies put together. The other sugar colonies of France are in general all very thriving.[1]

But there are no colonies of which the progress has been more rapid than that of the English in North America.

Plenty of good land, and liberty to manage their own affairs their own way, seem to be the two great causes of the prosperity of all new colonies.

In the plenty of good land the English colonies of North America, though no doubt very abundantly provided, are, however, inferior to those of the Spaniards and Portuguese, and not superior to some of those possessed by the French before the late war. But the political institutions of the English colonies have been more favourable to the improvement and cultivation of this land than those of any of the other three nations.

First, The engrossing of uncultivated land, though it has by no means been prevented altogether, has been more restrained in the English colonies than in any other. The colony law which imposes upon every proprietor the obligation of improving and cultivating, within a limited time, a certain proportion of his lands, and which, in case of failure, declares those neglected lands grantable to any other person, though it has not, perhaps, been very strictly executed, has however, had some effect.

Secondly, In Pennsylvania there is no right of primogeniture, and lands, like moveables, are divided equally among all the children of the family. In three of the provinces of New England the oldest has only a double share as in the Mosaical law. Though in

[1] The revolution in St. Domingo occasioned the destruction of a great many plantations, and the exports of sugar from it are now very trifling.

those provinces, therefore, too great a quantity of land should sometimes be engrossed by a particular individual, it is likely, in the course of a generation or two, to be sufficiently divided again. In the other English colonies, indeed, the right of primogeniture takes place, as in the law of England. But in all the English colonies the tenure of the lands, which are all held by free socage, facilitates alienation, and the grantee of any extensive tract of land generally finds it for his interest to alienate, as fast as he can, the greater part of it, reserving only a small quit-rent. In the Spanish and Portuguese colonies, what is called the right of Majorazzo [1] takes place in the succession of all those great estates to which any title of honour is annexed. Such estates go all to one person, and are in effect entailed and unalienable. The French colonies, indeed, are subject to the custom of Paris, which, in the inheritance of land, is much more favourable to the younger children than the law of England. But, in the French colonies, if any part of an estate, held by the noble tenure of chivalry and homage, is alienated, it is, for a limited time, subject to the right of redemption, either by the heir of the superior or by the heir of the family; and all the largest estates of the country are held by such noble tenures, which necessarily embarrass alienation. But, in a new colony, a great uncultivated estate is likely to be much more speedily divided by alienation than by succession. The plenty and cheapness of good land, it has already been observed, are the principal causes of the rapid prosperity of new colonies. The engrossing of land, in effect, destroys this plenty and cheapness. The engrossing of uncultivated land, besides, is the greatest obstruction to its improvement. But the labour that is employed in the improvement and cultivation of land affords the greatest and most valuable produce to the society. The produce of labour, in this case, pays not only its own wages, and the profit of the stock which employs it, but the rent of the land too upon which it is employed. The labour of the English colonists, therefore, being more employed in the improvement and cultivation of land, is likely to afford a greater and more valuable produce than that of any of the other three nations, which, by the engrossing of land, is more or less diverted towards other employments.

Thirdly, The labour of the English colonists is not only likely to afford a greater and more valuable produce, but, in consequence of the moderation of their taxes, a greater proportion of this produce belongs to themselves, which they may store up and employ in putting into motion a still greater quantity of labour. The English colonists have never yet contributed any thing towards the defence of the mother country, or towards the support of its civil government. They themselves, on the contrary, have hitherto been defended almost entirely at the expense of the mother country. But the expense of fleets and armies is out of all proportion greater than the necessary expense of civil government. The expense of their own civil government has always been very moderate: it has generally been confined to what was necessary for paying competent salaries to the governor, to the judges, and to some other officers of police, and for maintaining a few of the most useful public works. The expense of the civil establishment of Massachusett's Bay, before the commencement of the present disturbances, used to be but about 18,000*l.* a year. That of New Hampshire and Rhode Island 3500*l.* each. That of Connecticut 4000*l.* That of New York and Pennsylvania 4500*l.* each. That of New Jersey 1200*l.* That of Virginia and South Carolina 8000*l.* each. The civil establishment of Nova Scotia and Georgia are partly supported by an annual grant of parliament. But Nova Scotia pays, besides, about 7000*l.* a year towards the public expenses of the colony; and Georgia about 2500*l.* a year. All the different civil establishments in North America, in short, exclusive of those of Maryland and North Carolina, of which no exact account has been got, did not, before the commencement of the present disturbances, cost the inhabitants above 64,700*l.* a year; an ever-memorable example at how small an expense three millions of people may not only be governed, but well governed. The most important part of the expense of government, indeed — that of defence and protection — has constantly fallen upon the mother country. The ceremonial, too, of the civil government in the colonies, upon the reception of a new governor, upon the opening of a new assembly, &c., though sufficiently decent, is not accompanied with any expensive pomp or parade. Their ecclesiastical government is conducted upon a plan equally frugal. Tithes are unknown among them; and their clergy, who are far from being numerous, are maintained either by moderate stipends, or by the voluntary contributions of the people. The power of Spain and Portugal, on the contrary, derives some support from the taxes levied upon their colonies. France, indeed, has never drawn any considerable revenue from its colonies, the taxes which it levies upon them being generally spent among them. But the colony government of all these three nations is conducted upon a much more expensive plan, and is accompanied with a much more expensive ceremonial. The sums spent upon the reception of a new viceroy of Peru, for example, have frequently

[1] Jus Majoratus.

been enormous. Such ceremonials are not only real taxes paid by the rich colonists upon those particular occasions, but they serve to introduce among them the habit of vanity and expense upon all other occasions. They are not only very grievous occasional taxes, but they contribute to establish perpetual taxes of the same kind still more grievous; the ruinous taxes of private luxury and extravagance. In the colonies of all those three nations too, the ecclesiastical government is extremely oppressive. Tithes take place in all of them, and are levied with the utmost rigour in those of Spain and Portugal. All of them besides are oppressed with a numerous race of mendicant friars, whose beggary being not only licensed, but consecrated by religion, is a most grievous tax upon the poor people, who are most carefully taught that it is a duty to give, and a very great sin to refuse them their charity. Over and above all this, the clergy are, in all of them, the greatest engrossers of land.

Fourthly, In the disposal of their surplus produce, or of what is over and above their own consumption, the English colonies have been more favoured, and have been allowed a more extensive market than those of any other European nation. Every European nation has endeavoured more or less to monopolise to itself the commerce of its colonies, and, upon that account, has prohibited the ships of foreign nations from trading to them, and has prohibited them from importing European goods from any foreign nation. But the manner in which this monopoly has been exercised in different nations has been very different.

Some nations have given up the whole commerce of their colonies to an exclusive company, of whom the colonists were obliged to buy all such European goods as they wanted, and to whom they were obliged to sell the whole of their own surplus produce. It was the interest of the company, therefore, not only to sell the former as dear, and to buy the latter as cheap, as possible, but to buy no more of the latter, even at this low price, than what they could dispose of for a very high price in Europe. It was their interest not only to degrade in all cases the value of the surplus produce of the colony, but in many cases to discourage and keep down the natural increase of its quantity. Of all the expedients that can well be contrived to stunt the natural growth of a new colony, that of an exclusive company is undoubtedly the most effectual. This, however, has been the policy of Holland, though their company, in the course of the present century, has given up in many respects the exertion of their exclusive privilege. This, too, was the policy of Denmark till the reign of the late king. It has occasionally been the policy of France; and of late, since 1755, after it had been abandoned by all other nations, on account of its absurdity, it has become the policy of Portugal, with regard at least to two of the principal provinces of Brazil, Fernambuco and Marannon.

Other nations, without establishing an exclusive company, have confined the whole commerce of their colonies to a particular port of the mother country, from whence no ship was allowed to sail, but either in a fleet and at a particular season, or, if single, in consequence of a particular license, which in most cases was very well paid for. This policy opened, indeed, the trade of the colonies to all the natives of the mother country, provided they traded from the proper port, at the proper season, and in the proper vessels. But as all the different merchants, who joined their stocks in order to fit out those licensed vessels, would find it for their interest to act in concert, the trade which was carried on in this manner would necessarily be conducted very nearly upon the same principles as that of an exclusive company. The profit of those merchants would be almost equally exorbitant and oppressive. The colonies would be ill supplied, and would be obliged both to buy very dear, and to sell very cheap. This, however, till within these few years, had always been the policy of Spain, and the price of all European goods, accordingly, is said to have been enormous in the Spanish West Indies. At Quito, we are told by Ulloa, a pound of iron sold for about four and sixpence, and a pound of steel for about six and ninepence sterling. But it is chiefly in order to purchase European goods that the colonies part with their own produce. The more, therefore, they pay for the one, the less they really get for the other, and the dearness of the one is the same thing with the cheapness of the other. The policy of Portugal is, in this respect, the same as the ancient policy of Spain, with regard to all its colonies, except Fernambuco and Marannon, and with regard to these it has lately adopted a still worse.

Other nations leave the trade of their colonies free to all their subjects, who may carry it on from all the different ports of the mother country, and who have occasion for no other license than the common dispatches of the customshouse. In this case, the number and dispersed situation of the different traders renders it impossible for them to enter into any general combination, and their competition is sufficient to hinder them from making very exorbitant profits. Under so liberal a policy the colonies are enabled both to sell their own produce and to buy the goods of Europe at a reasonable price; but since the dissolution of the Plymouth company, when our colonies were but in their

infancy, this has always been the policy of England: it has generally too been that of France, and has been uniformly so since the dissolution of what, in England, is commonly called their Mississippi company. The profits of the trade, therefore, which France and England carry on with their colonies, though no doubt somewhat higher than if the competition was free to all other nations, are, however, by no means exorbitant; and the price of European goods accordingly is not extravagantly high in the greater part of the colonies of either of those nations.

In the exportation of their own surplus produce, too, it is only with regard to certain commodities that the colonies of Great Britain are confined to the market of the mother country. These commodities having been enumerated in the act of navigation and in some other subsequent acts, have upon that account been called *enumerated commodities*: the rest are called *non-enumerated*; and may be exported directly to other countries, provided it is in British or Plantation ships, of which the owners and three-fourths of the mariners are British subjects.

Among the non-enumerated commodities are some of the most important productions of America and the West Indies: grain of all sorts, lumber, salt provisions, fish, sugar, and rum.

Grain is naturally the first and principal object of the culture of all new colonies. By allowing them a very extensive market for it, the law encourages them to extend this culture much beyond the consumption of a thinly inhabited country, and thus to provide beforehand an ample subsistence for a continually increasing population.

In a country quite covered with wood, where timber consequently is of little or no value, the expense of clearing the ground is the principal obstacle to improvement. By allowing the colonies a very extensive market for their lumber, the law endeavours to facilitate improvement by raising the price of a commodity which would otherwise be of little value, and thereby enabling them to make some profit of what would otherwise be mere expense.

In a country neither half-peopled nor half-cultivated, cattle naturally multiply beyond the consumption of the inhabitants, and are often upon that account of little or no value. But it is necessary, it has already been shown, that the price of cattle should bear a certain proportion to that of corn, before the greater part of the lands of any country can be improved. By allowing to American cattle, in all shapes, dead and alive, a very extensive market, the law endeavours to raise the value of a commodity of which the high price is so very essential to improvement. The good effects of this liberty, however, must be somewhat diminished by the 4th of George III. c. 15. which puts hides and skins among the enumerated commodities, and thereby tends to reduce the value of American cattle.

To increase the shipping and naval power of Great Britain, by the extension of the fisheries of our colonies, is an object which the legislature seems to have had almost constantly in view. Those fisheries, upon this account, have had all the encouragement which freedom can give them, and they have flourished accordingly. The New England fishery in particular was, before the late disturbances, one of the most important, perhaps, in the world. The whale-fishery which, notwithstanding an extravagant bounty, is in Great Britain carried on to so little purpose, that in the opinion of many people (which I do not, however, pretend to warrant) the whole produce does not much exceed the value of the bounties which are annually paid for it, is in New England carried on without any bounty to a very great extent. Fish is one of the principal articles with which the North Americans trade to Spain, Portugal, and the Mediterranean.

Sugar was originally an enumerated commodity which could be exported only to Great Britain. But in 1731, upon a representation of the sugar-planters, its exportation was permitted to all parts of the world. The restrictions, however, with which this liberty was granted, joined to the high price of sugar in Great Britain, have rendered it in a great measure ineffectual. Great Britain and her colonies still continue to be almost the sole market for all the sugar produced in the British plantations. Their consumption increases so fast, that though, in consequence of the increasing improvement of Jamaica, as well as of the ceded islands, the importation of sugar has increased very greatly within these twenty years, the exportation to foreign countries is said to be not much greater than before.

Rum is a very important article in the trade which the Americans carry on to the coast of Africa, from which they bring back negro slaves in return.

If the whole surplus produce of America in grain of all sorts, in salt provisions, and in fish, had been put into the enumeration, and thereby forced into the market of Great Britain, it would have interfered too much with the produce of the industry of our own people. It was probably not so much from any regard to the interest of America, as from a jealousy of this interference, that those important commodities have not only been kept out of the enumeration, but that the importation into Great Britain of all grain, except rice, and of salt provisions,

has, in the ordinary state of the law, been prohibited.

The non-enumerated commodities could originally be exported to all parts of the world. Lumber and rice, having been put into the enumeration, when they were afterwards taken out of it, were confined, as to the European market, to the countries that lie south of Cape Finisterre. By the 6th of George III. c. 52. all non-enumerated commodities were subjected to the like restriction. The parts of Europe which lie south of Cape Finisterre, are not manufacturing countries, and we were less jealous of the colony ships carrying home from them any manufactures which could interfere with our own.

The enumerated commodities are of two sorts: first, such as are either the peculiar produce of America, or as cannot be produced, or at least are not produced, in the mother country. Of this kind are, molasses, coffee, cacao-nuts, tobacco, pimento, ginger, whale-fins, raw silk, cotton-wool, beaver, and other peltry of America, indigo, fustic, and other dyeing woods; secondly, such as are not the peculiar produce of America, but which are and may be produced in the mother country, though not in such quantities as to supply the greater part of her demand, which is principally supplied from foreign countries. Of this kind are all naval stores, masts, yards, and bowsprits, tar, pitch, and turpentine, pig and bar iron, copper ore, hides and skins, pot and pearl ashes. The largest importation of commodities of the first kind could not discourage the growth or interfere with the sale of any part of the produce of the mother country. By confining them to the home market, our merchants, it was expected, would not only be enabled to buy them cheaper in the Plantations, and consequently to sell them with a better profit at home, but to establish between the Plantations and foreign countries an advantageous carrying trade, of which Great Britain was necessarily to be the centre or emporium, as the European country into which those commodities were first to be imported. The importation of commodities of the second kind might be so managed too, it was supposed, as to interfere, not with the sale of those of the same kind which were produced at home, but with that of those which were imported from foreign countries; because, by means of proper duties, they might be rendered always somewhat dearer than the former, and yet a good deal cheaper than the latter. By confining such commodities to the home market, therefore, it was proposed to discourage the produce, not of Great Britain, but of some foreign countries with which the balance of trade was believed to be unfavourable to Great Britain.

The prohibition of exporting from the colonies, to any other country but Great Britain, masts, yards, and bowsprits, tar, pitch, and turpentine, naturally tended to lower the price of timber in the colonies, and consequently to increase the expense of clearing their lands, the principal obstacle to their improvement. But about the beginning of the present century, in 1703, the pitch and tar company of Sweden endeavoured to raise the price of their commodities to Great Britain, by prohibiting their exportation, except in their own ships, at their own price, and in such quantities as they thought proper. In order to counteract this notable piece of mercantile policy, and to render herself as much as possible independent, not only of Sweden, but of all the other northern powers, Great Britain gave a bounty upon the importation of naval stores from America; and the effect of this bounty was to raise the price of timber in America, much more than the confinement to the home market could lower it; and as both regulations were enacted at the same time, their joint effect was rather to encourage than to discourage the clearing of land in America.

Though pig and bar iron too have been put among the enumerated commodities, yet as, when imported from America, they are exempted from considerable duties to which they are subject when imported from any other country, the one part of the regulation contributes more to encourage the erection of furnaces in America, and the other to discourage it. There is no manufacture which occasions so great a consumption of wood as a furnace, or which can contribute so much to the clearing of a country overgrown with it.

The tendency of some of these regulations to raise the value of timber in America, and thereby to facilitate the clearing of the land, was neither, perhaps, intended nor understood by the legislature. Though their beneficial effects, however, have been in this respect accidental, they have not upon that account been less real.

The most perfect freedom of trade is permitted between the British colonies of America and the West Indies, both in the enumerated and in the non-enumerated commodities. Those colonies are now become so populous and thriving, that each of them finds in some of the others a great and extensive market for every part of its produce. All of them taken together, they make a great internal market for the produce of one another.

The liberality of England, however, towards the trade of her colonies has been confined chiefly to what concerns the market for

their produce, either in its rude state, or in what may be called the very first stage of manufactures. The more advanced or more refined manufactures even of the colony produce, the merchants and manufacturers of Great Britain choose to reserve to themselves, and have prevailed upon the legislature to prevent their establishment in the colonies, sometimes by high duties, and sometimes by absolute prohibitions.

While, for example, Muskovado sugars from the British plantations pay upon importation only 6*s.* 4*d.* the hundred weight, white sugars pay 1*l.* 1*s.* 1*d.*, and refined, either double or single, in loaves 4*l.* 2*s.* $5\frac{8}{10}$*d.* When those high duties were imposed, Great Britain was the sole, and she still continues to be the principal market to which the sugars of the British colonies could be exported. They amounted, therefore, to a prohibition, at first of claying or refining sugar for any foreign market, and at present of claying or refining it for the market, which takes off, perhaps, more than nine-tenths of the whole produce. The manufacture of claying or refining sugar accordingly, though it has flourished in all the sugar colonies of France, has been little cultivated in any of those of England, except for the market of the colonies themselves. While Grenada was in the hands of the French, there was a refinery of sugar, by claying at least, upon almost every plantation. Since it fell into those of the English, almost all works of this kind have been given up, and there are at present, October 1773, I am assured, not above two or three remaining in the island. At present, however, by an indulgence of the custom-house, clayed or refined sugar, if reduced from loaves into powder, is commonly imported as Muskovado.

While Great Britain encourages in America the manufactures of pig and bar iron, by exempting them from duties to which the like commodities are subject when imported from any other country, she imposes an absolute prohibition upon the erection of steel furnaces and slit-mills in any of her American plantations. She would not suffer her colonists to work in those more refined manufactures even for their own consumption; but insists upon their purchasing of her merchants and manufacturers all goods of this kind which they have occasion for.

She prohibits the exportation from one province to another by water, and even the carriage by land upon horseback or in a cart, of hats, of wools and woollen goods, of the produce of America; a regulation which effectually prevents the establishment of any manufacture of such commodities for distant sale, and confines the industry of her colonists in this way to such coarse and household manufactures, as a private family commonly makes for its own use, or for that of some of its neighbours in the same province.

To prohibit a great people, however, from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind. Unjust, however, as such prohibitions may be, they have not hitherto been very hurtful to the colonies. Land is still so cheap, and, consequently, labour so dear among them, that they can import from the mother country almost all the more refined or more advanced manufactures cheaper than they could make them for themselves. Though they had not, therefore, been prohibited from establishing such manufactures, yet in their present state of improvement, a regard to their own interest would, probably, have prevented them from doing so. In their present state of improvement, those prohibitions, perhaps, without cramping their industry, or restraining it from any employment to which it would have gone of its own accord, are only impertinent badges of slavery imposed upon them, without any sufficient reason, by the groundless jealousy of the merchants and manufacturers of the mother country. In a more advanced state they might be really oppressive and insupportable.

Great Britain too, as she confines to her own market some of the most important productions of the colonies, so in compensation she gives to some of them an advantage in that market; sometimes by imposing higher duties upon the like productions when imported from other countries, and sometimes by giving bounties upon their importation from the colonies. In the first way she gives an advantage in the home market to the sugar, tobacco, and iron of her own colonies, and in the second to their raw silk, to their hemp and flax, to their indigo, to their naval stores, and to their building-timber. This second way of encouraging the colony produce by bounties upon importation, is, so far as I have been able to learn, peculiar to Great Britain: the first is not. Portugal does not content herself with imposing higher duties upon the importation of tobacco from any other country, but prohibits it under the severest penalties.

With regard to the importation of goods from Europe, England has likewise dealt more liberally with her colonies than any other nation.

Great Britain allows a part, almost always the half, generally a larger portion, and sometimes the whole of the duty which is paid upon the importation of foreign goods, to be drawn back upon their exportation to any foreign country. No independent foreign

country, it was easy to foresee, would receive them if they came to it loaded with the heavy duties to which almost all foreign goods are subjected on their importation into Great Britain. Unless, therefore, some part of those duties was drawn back upon exportation, there was an end of the carrying trade; a trade so much favoured by the mercantile system.

Our colonies, however, are by no means independent foreign countries; and Great Britain having assumed to herself the exclusive right of supplying them with all goods from Europe, might have forced them (in the same manner as other countries have done their colonies) to receive such goods, loaded with all the same duties which they paid in the mother country. But, on the contrary, till 1763, the same drawbacks were paid upon the exportation of the greater part of foreign goods to our colonies as to any independent foreign country. In 1763, indeed, by the 4th of Geo. III. c. 15. this indulgence was a good deal abated, and it was enacted, "That no part of the duty called the old subsidy could be drawn back for any goods of the growth, production, or manufacture of Europe or the East Indies, which should be exported from this kingdom to any British colony or plantation in America; wines, white calicoes, and muslins excepted." Before this law, many different sorts of foreign goods might have been bought cheaper in the plantations than in the mother country; and some may still.

Of the greater part of the regulations concerning the colony trade, the merchants who carry it on, it must be observed, have been the principal advisers. We must not wonder, therefore, if, in the greater part of them, their interest has been more considered than either that of the colonies or that of the mother country. In their exclusive privilege of supplying the colonies with all the goods which they wanted from Europe, and of purchasing all such parts of their surplus produce as could not interfere with any of the trades which they themselves carried on at home, the interest of the colonies was sacrificed to the interest of those merchants. In allowing the same drawbacks upon the re-exportation of the greater part of European and East India goods to the colonies, as upon their re-exportation to any independent country, the interest of the mother country was sacrificed to it, even according to the mercantile ideas of that interest. It was for the interest of the merchants to pay as little as possible for the foreign goods which they sent to the colonies, and, consequently, to get back as much as possible of the duties which they advanced upon their importation into Great Britain. They might thereby be enabled to sell in the colonies, either the same quantity of goods with a greater profit, or a greater quantity with the same profit, and, consequently, to gain something either in the one way or the other. It was, likewise, for the interest of the colonies to get all such goods as cheap and in as great abundance as possible; but this might not always be for the interest of the mother country. She might frequently suffer both in her revenue, by giving back a great part of the duties which had been paid upon the importation of such goods; and in her manufactures, by being undersold in the colony market, in consequence of the easy terms upon which foreign manufactures could be carried thither by means of those drawbacks. The progress of the linen manufacture of Great Britain, it is commonly said, has been a good deal retarded by the drawbacks upon the re-exportation of German linen to the American colonies.

But though the policy of Great Britain with regard to the trade of her colonies has been dictated by the same mercantile spirit as that of other nations, it has, however, upon the whole, been less illiberal and oppressive than that of any of them.

In every thing, except their foreign trade, the liberty of the English colonists to manage their own affairs their own way is complete. It is in every respect equal to that of their fellow-citizens at home, and is secured in the same manner by an assembly of the representatives of the people, who claim the sole right of imposing taxes for the support of the colony government. The authority of this assembly overawes the executive power, and neither the meanest nor the most obnoxious colonist, as long as he obeys the law, has any thing to fear from the resentment, either of the governor or of any other civil or military officer in the province. The colony assemblies, though, like the House of Commons in England, they are not always a very equal representation of the people, yet they approach more nearly to that character; and as the executive power either has not the means to corrupt them, or, on account of the support which it receives from the mother country, is not under the necessity of doing so, they are perhaps in general more influenced by the inclinations of their constituents. The councils, which, in the colony legislatures, correspond to the House of Lords in Great Britain, are not composed of an hereditary nobility. In some of the colonies, as in three of the governments of New England, those councils are not appointed by the king, but chosen, by the representatives of the people. In none of the English colonies is there any hereditary nobility. In all of them, indeed as in all other free countries, the descendant of an old colony family is more respected than an upstart of equal merit and fortune: but he is only more respected, and he has

no privileges by which he can be troublesome to his neighbours. Before the commencement of the present disturbances, the colony assemblies had not only the legislative but a part of the executive power. In Connecticut and Rhode Island they elected the governor. In the other colonies they appointed the revenue officers who collected the taxes imposed by those respective assemblies, to whom those officers were immediately responsible. There is more equality, therefore, among the English colonists than among the inhabitants of the mother country. Their manners are more republican, and their governments, those of three of the provinces of New England in particular, have hitherto been more republican too.

The absolute governments of Spain, Portugal, and France, on the contrary, take place in their colonies; and the discretionary powers which such governments commonly delegate to all their inferior officers are, on account of the great distance, naturally exercised there with more than ordinary violence. Under all absolute governments there is more liberty in the capital than in any other part of the country. The sovereign himself can never have either interest or inclination to pervert the order of justice, or to oppress the great body of the people. In the capital his presence overawes more or less all his inferior officers, who in the remoter provinces, from whence the complaints of the people are less likely to reach him, can exercise their tyranny with much more safety. But the European colonies in America are more remote than the most distant provinces of the greatest empires which had ever been known before. The government of the English colonies is perhaps the only one which, since the world began, could give perfect security to the inhabitants of so very distant a province. The administration of the French colonies, however, has always been conducted with more gentleness and moderation than that of the Spanish and Portuguese. This superiority of conduct is suitable both to the character of the French nation and to what forms the character of every nation — the nature of their government, which, though arbitrary and violent in comparison with that of Great Britain, is legal and free in comparison with those of Spain and Portugal.

It is in the progress of the North American colonies, however, that the superiority of the English policy chiefly appears. The progress of the sugar colonies of France has been at least equal, perhaps superior, to that of the greater part of those of England; and yet the sugar colonies of England enjoy a free government nearly of the same kind with that which takes place in her colonies of North America. But the sugar colonies of France are not discouraged, like those of England, from refining their own sugar; and, what is of still greater importance, the genius of their government naturally introduces a better management of their negro slaves.

In all European colonies the culture of the sugar cane is carried on by negro slaves. The constitution of those who have been born in the temperate climate of Europe could not, it is supposed, support the labour of digging the ground under the burning sun of the West Indies; and the culture of the sugar cane, as it is managed at present, is all hand labour, though, in the opinion of many, the drill plough might be introduced into it with great advantage. But as the profit and success of the cultivation which is carried on by means of cattle depend very much upon the good management of those cattle, so the profit and success of that which is carried on by slaves must depend equally upon the good management of those slaves; and in the good management of their slaves the French planters, I think it is generally allowed, are superior to the English. The law, so far as it gives some weak protection to the slave against the violence of his master, is likely to be better executed in a colony where the government is in a great measure arbitrary, than in one where it is altogether free. In every country where the unfortunate law of slavery is established, the magistrate, when he protects the slave, intermeddles in some measure in the management of the private property of the master; and, in a free country, where the master is perhaps either a member of the colony assembly, or an elector of such a member, he dare not do this but with the greatest caution and circumspection. The respect which he is obliged to pay to the master, renders it more difficult for him to protect the slave. But in a country where the government is in a great measure arbitrary, where it is usual for the magistrate to intermeddle even in the management of the private property of individuals, and to send them, perhaps, a *lettre de cachet* if they do not manage it according to his liking, it is much easier for him to give some protection to the slave; and common humanity naturally disposes him to do so. The protection of the magistrates renders the slave less contemptible in the eyes of his master, who is thereby induced to consider him with more regard, and to treat him with more gentleness. Gentle usage renders the slave not only more faithful but more intelligent, and therefore, upon a double account, more useful. He approaches more to the condition of a free servant, and may possess some degree of integrity and attachment to his master's interest, virtues which frequently belong to free servants, but which never can belong to a slave, who is treated as slaves commonly are

in countries where the master is perfectly free and secure.

That the condition of a slave is better under an arbitrary than under a free government, is I believe, supported by the history of all ages and nations. In the Roman history, the first time we read of the magistrate interposing to protect the slave from the violence of his master, is under the emperors. When Vedius Pollio, in the presence of Augustus, ordered one of his slaves, who had committed a slight fault, to be cut into pieces and thrown into his fish pond in order to feed his fishes, the emperor commanded him with indignation, to emancipate immediately not only that slave, but all the others that belonged to him. Under the republic no magistrate could have had authority enough to protect the slave, much less to punish the master.

The stock, it is to be observed, which has improved the sugar colonies of France, particularly the great colony of St. Domingo, has been raised almost entirely from the gradual improvement and cultivation of those colonies. It has been almost altogether the produce of the soil and of the industry of the colonists, or, what comes to the same thing, the price of that produce gradually accumulated by good management, and employed in raising a still greater produce. But the stock which has improved and cultivated the sugar colonies of England has, a great part of it, been sent out from England, and has by no means been altogether the produce of the soil and industry of the colonists. The prosperity of the English sugar colonies has been, in a great measure, owing to the great riches of England, of which a part has overflowed, if one may say so, upon those colonies; but the prosperity of the sugar colonies of France has been entirely owing to the good conduct of the colonists, which must therefore have had some superiority over that of the English, and this superiority has been remarked in nothing so much as in the good management of their slaves.

Such have been the general outlines of the policy of the different European nations with regard to their colonies.

The policy of Europe, therefore, has very little to boast of, either in the original establishment, or, so far as concerns their internal government, in the subsequent prosperity of the colonies of America.

Folly and injustice seem to have been the principles which presided over and directed the first project of establishing those colonies; the folly of hunting after gold and silver mines, and the injustice of coveting the possession of a country whose harmless natives, far from having ever injured the people of Europe, had received the first adventurers with every mark of kindness and hospitality.

The adventurers, indeed, who formed some of the later establishments, joined to the chimerical project of finding gold and silver mines other motives more reasonable and more laudable; but even these motives do very little honour to the policy of Europe.

The English puritans, restrained at home, fled for freedom to America, and established there the four governments of New England. The English catholics, treated with much greater injustice, established that of Maryland; the Quakers, that of Pennsylvania. The Portuguese Jews, persecuted by the inquisition, stript of their fortunes, and banished to Brazil, introduced, by their example, some sort of order and industry among the transported felons and strumpets, by whom that colony was originally peopled and taught them the culture of the sugar-cane. Upon all these different occasions it was, not the wisdom and policy, but the disorder and injustice of the European governments, which peopled and cultivated America.

In effectuating some of the most important of these establishments, the different governments of Europe had as little merit as in projecting them. The conquest of Mexico was the project, not of the council of Spain, but of a governor of Cuba; and it was effectuated by the spirit of the bold adventurer to whom it was intrusted, in spite of every thing which that governor, who soon repented of having trusted such a person, could do to thwart it. The conquerors of Chili and Peru, and of almost all the other Spanish settlements upon the continent of America, carried out with them no other public encouragement, but a general permission to make settlements and conquests in the name of the king of Spain. Those adventures were all at the private risk and expense of the adventurers. The government of Spain contributed scarce any thing to any of them. That of England contributed as little towards effectuating the establishment of some of its most important colonies in North America.

When those establishments were effectuated, and had become so considerable as to attract the attention of the mother country, the first regulations which she made with regard to them had always in view to secure to herself the monopoly of their commerce; to confine their market, and to enlarge her own at their expense, and, consequently, rather to damp and discourage than to quicken and forward the course of their prosperity. In the different ways in which this monopoly has been exercised consists one of the most essential differences in the policy of the different European nations with regard to their colonies. The best of them all, that of England, is only somewhat less illiberal and oppressive than that of any of the rest.

In what way, therefore, has the policy of Europe contributed either to the first establishment, or to the present grandeur of the colonies of America? In one way, and in one way only, it has contributed a good deal. *Magna virûm Mater!* It bred and formed the men who were capable of achieving such great actions, and of laying the foundation of so great an empire; and there is no other quarter of the world of which the policy is capable of forming, or has ever actually and in fact formed such men. The colonies owe to the policy of Europe the education and great views of their active and enterprising founders; and some of the greatest and most important of them, so far as concerns their internal government, owe to it scarce any thing else.

PART III.

Of the Advantages which Europe has derived from the Discovery of America, and from that of a Passage to the East Indies by the Cape of Good Hope.

SUCH are the advantages which the colonies of America have derived from the policy of Europe.

What are those which Europe has derived from the discovery and colonisation of America?

Those advantages may be divided, first, into the general advantages which Europe, considered as one great country, has derived from those great events; and, secondly, into the particular advantages which each colonising country has derived from the colonies which particularly belong to it, in consequence of the authority or dominion which it exercises over them.

The general advantages which Europe, considered as one great country, has derived from the discovery and colonisation of America, consist, first, in the increase of its enjoyments; and, secondly, in the augmentation of its industry.

The surplus produce of America, imported into Europe, furnishes the inhabitants of this great continent with a variety of commodities which they could not otherwise have possessed; some for convenience and use, some for pleasure, and some for ornament, and thereby contributes to increase their enjoyments.

The discovery and colonisation of America, it will readily be allowed, have contributed to augment the industry, first, of all the countries which trade to it directly; such as Spain, Portugal, France, and England; and, secondly, of all those which, without trading to it directly, send, through the medium of other countries, goods to it of their own produce; such as Austrian Flanders, and some provinces of Germany, which, through the medium of the countries before mentioned, send to it a considerable quantity of linen and other goods. All such countries have evidently gained a more extensive market for their surplus produce, and must consequently have been encouraged to increase its quantity.

But, that those great events should likewise have contributed to encourage the industry of countries, such as Hungary and Poland, which may never, perhaps, have sent a single commodity of their own produce to America, is not, perhaps, altogether so evident. That those events have done so, however, cannot be doubted. Some part of the produce of America is consumed in Hungary and Poland, and there is some demand there for the sugar, chocolate, and tobacco, of that new quarter of the world. But those commodities must be purchased with something which is either the produce of the industry of Hungary and Poland, or with something which had been purchased with some part of that produce. Those commodities of America are new values, new equivalents, introduced into Hungary and Poland to be exchanged there for the surplus produce of those countries. By being carried thither, they create a new and more extensive market for that surplus produce. They raise its value, and thereby contribute to encourage its increase. Though no part of it may ever be carried to America, it may be carried to other countries which purchase it with a part of their share of the surplus produce of America; and it may find a market by means of the circulation of that trade which was originally put into motion by the surplus produce of America.

Those great events may even have contributed to increase the enjoyments, and to augment the industry of countries which not only never sent any commodities to America, but never received any from it. Even such countries may have received a greater abundance of other commodities from countries of which the surplus produce had been augmented by means of the American trade. This greater abundance, as it must necessarily have increased their enjoyments, so it must likewise have augmented their industry. A greater number of new equivalents of some kind or other must have been presented to them to be exchanged for the surplus produce of that industry. A more extensive market must have been created for that surplus produce, so as to raise its value, and thereby encourage its increase. The mass of commodities annually thrown into the great circle of European commerce, and by its various revolutions annually distributed among all the different nations comprehended within it, must have been augmented

by the whole surplus produce of America. A greater share of this greater mass, therefore, is likely to have fallen to each of those nations, to have increased their enjoyments, and augmented their industry.

The exclusive trade of the mother countries tends to diminish, or, at least, to keep down below what they would otherwise rise to, both the enjoyments and industry of all those nations in general, and of the American colonies in particular. It is a dead weight upon the action of one of the great springs which puts into motion a great part of the business of mankind. By rendering the colony produce dearer in all other countries, it lessens its consumption, and thereby cramps the industry of the colonies, and both the enjoyments and the industry of all other countries, which both enjoy less when they pay more for what they enjoy, and produce less when they get less for what they produce. By rendering the produce of all other countries dearer in the colonies, it cramps, in the same manner, the industry of all other countries, and both the enjoyments and the industry of the colonies. It is a clog which, for the supposed benefit of some particular countries, embarrasses the pleasures, and encumbers the industry of all other countries; but of the colonies more than of any other. It not only excludes, as much as possible, all other countries from one particular market, but it confines, as much as possible, the colonies to one particular market: and the difference is very great between being excluded from one particular market, when all others are open, and being confined to one particular market when all others are shut up. The surplus produce of the colonies, however, is the original source of all that increase of enjoyments and industry which Europe derives from the discovery and colonisation of America; and the exclusive trade of the mother countries tends to render this source much less abundant than it otherwise would be.

The particular advantages which each colonising country derives from the colonies which particularly belong to it, are of two different kinds: first, those common advantages which every empire derives from the provinces subject to its dominion; and, secondly, those peculiar advantages which are supposed to result from provinces of so very peculiar a nature as the European colonies of America.

The common advantages which every empire derives from the provinces subject to its dominion consist, first, in the military force which they furnish for its defence; and, secondly, in the revenue which they furnish for the support of its civil government. The Roman colonies furnished occasionally both the one and the other. The Greek colonies sometimes furnished a military force, but seldom any revenue. They seldom acknowledged themselves subject to the dominion of the mother city. They were generally her allies in war, but very seldom her subjects in peace.

The European colonies of America have never yet furnished any military force for the defence of the mother country Their military force has never yet been sufficient for their own defence; and in the different wars in which the mother countries have been engaged, the defence of their colonies has generally occasioned a very considerable distraction of the military force of those countries. In this respect, therefore, all the European colonies have, without exception, been a cause rather of weakness than of strength to their respective mother countries.

The colonies of Spain and Portugal only have contributed any revenue towards the defence of the mother country, or the support of her civil government. The taxes which have been levied upon those of other European nations, upon those of England in particular, have seldom been equal to the expense laid out upon them in time of peace, and never sufficient to defray that which they occasioned in time of war. Such colonies, therefore, have been a source of expense and not of revenue to their respective mother countries.

The advantages of such colonies to their respective mother countries, consist altogether in those peculiar advantages which are supposed to result from provinces of so very peculiar a nature as the European colonies of America; and the exclusive trade, it is acknowledged, is the sole source of all those peculiar advantages.

In consequence of this exclusive trade, all that part of the surplus produce of the English colonies, for example, which consists in what are called enumerated commodities, can be sent to no other country but England. Other countries must afterwards buy it of her. It must be cheaper, therefore, in England than it can be in any other country, and must contribute more to increase the enjoyments of England than those of any other country: it must likewise contribute more to encourage her industry. For all those parts of her own surplus produce which England exchanges for those enumerated commodities, she must get a better price than any other countries can get for the like parts of theirs, when they exchange them for the same commodities. The manufactures of England, for example, will purchase a greater quantity of the sugar and tobacco of her own colonies, than the like manufactures of other countries can purchase of that sugar and tobacco. So far, therefore, as the manufactures of Eng-

land and those of other countries are both to be exchanged for the sugar and tobacco of the English colonies, this superiority of price gives an encouragement to the former, beyond what the latter can in these circumstances enjoy. The exclusive trade of the colonies, therefore, as it diminishes, or, at least, keeps down below what they would otherwise rise to, both the enjoyments and the industry of the countries which do not possess it; so it gives an evident advantage to the countries which do possess it over those other countries.

This advantage, however, will perhaps be found to be rather what may be called a relative than an absolute advantage; and to give a superiority to the country which enjoys it, rather by depressing the industry and produce of other countries, than by raising those of that particular country above what they would naturally rise to in the case of a free trade.

The tobacco of Maryland and Virginia, for example, by means of the monopoly which England enjoys of it, certainly comes cheaper to England than it can do to France, to whom England commonly sells a considerable part of it. But had France, and all other European countries been at all times allowed a free trade to Maryland and Virginia, the tobacco of those colonies might by this time have come cheaper than it actually does, not only to all those other countries but likewise to England. The produce of tobacco, in consequence of a market so much more extensive than any which it has hitherto enjoyed, might, and probably would, by this time have been so much increased as to reduce the profits of a tobacco plantation to their natural level with those of a corn plantation, which, it is supposed, they are still somewhat above. The price of tobacco might, and probably would, by this time have fallen somewhat lower than it is at present. An equal quantity of the commodities either of England or of those other countries might have purchased in Maryland and Virginia a greater quantity of tobacco than it can do at present, and, consequently, have been sold there for so much a better price. So far as that weed, therefore, can, by its cheapness and abundance, increase the enjoyments or augment the industry either of England or of any other country, it would probably, in the case of a free trade, have produced both these effects in somewhat a greater degree than it can do at present. England, indeed, would not in this case have had any advantage over other countries. She might have bought the tobacco of her colonies somewhat cheaper, and, consequently, have sold some of her own commodities somewhat dearer than she actually does. But she could neither have bought the one cheaper nor sold the other dearer than any other country might have done. She might, perhaps, have gained an absolute, but she would certainly have lost a relative, advantage.

In order, however, to obtain this relative advantage in the colony trade, in order to execute the invidious and malignant project of excluding as much as possible other nations from any share in it, England, there are very probable reasons for believing, has not only sacrificed a part of the absolute, advantage which she, as well as every other nation, might have derived from that trade, but has subjected herself both to an absolute and to a relative disadvantage in almost every other branch of trade.

When, by the act of navigation, England assumed to herself the monopoly of the colony trade, the foreign capitals which had before been employed in it were necessarily withdrawn from it. The English capital, which had before carried on but a part of it, was now to carry on the whole. The capital which had before supplied the colonies with but a part of the goods which they wanted from Europe, was now all that was employed to supply them with the whole; but it could not supply them with the whole, and the goods with which it did supply them were necessarily sold very dear. The capital which had before bought but a part of the surplus produce of the colonies, was now all that was employed to buy the whole; but it could not buy the whole at any thing near the old price, and, therefore, whatever it did buy it necessarily bought very cheap. But in an employment of capital in which the merchant sold very dear and bought very cheap, the profit must have been very great, and much above the ordinary level of profit in other branches of trade. This superiority of profit in the colony trade could not fail to draw from other branches of trade a part of the capital which had before been employed in them. But this revulsion of capital, as it must have gradually increased the competition of capitals in the colony trade, so it must have gradually diminished that competition in all those other branches of trade; as it must have gradually lowered the profits of the one, so it must have gradually raised those of the other, till the profits of all came to a new level, different from and somewhat higher than that at which they had been before.[1]

[1] The doctrine advanced by Dr. Smith in this chapter with respect to the supposed influence of the monopoly of the colony trade in increasing the rate of profit, is a consequence of his theory which makes that rate depend on the quantity of capital, compared with the extent of the field for its employment. In point of fact, however, the rate of profit is wholly dependent on the productiveness of industrious undertakings, and not on the extent to which they are carried. Profits are the excess of the commodities

This double effect, of drawing capital from all other trades, and of raising the rate of profit somewhat higher than it otherwise would have been in all trades, was not only produced by this monopoly upon its first establishment, but has continued to be produced by it ever since.

First, This monopoly has been continually drawing capital from all other trades to be employed in that of the colonies.

Though the wealth of Great Britain has increased very much since the establishment of the act of navigation, it certainly has not increased in the same proportion as that of the colonies; but the foreign trade of every country naturally increases in proportion to its wealth, its surplus produce in proportion to its whole produce; and Great Britain having engrossed to herself almost the whole of what may be called the foreign trade of the colonies, and her capital not having increased in the same proportion as the extent of that trade, she could not carry it on without continually withdrawing from other branches of trade some part of the capital which had before been employed in them, as well as withholding from them a great deal more which would otherwise have gone to them. Since the establishment of the act of navigation, accordingly, the colony trade has been continually increasing, while many other branches of foreign trade, particularly of that to other parts of Europe, have been continually decaying.[1] Our manufactures for foreign sale, instead of being suited, as before the act of navigation, to the neighbouring market of Europe, or to the more distant one of the countries which lie round the Mediterranean sea, have, the greater part of them, been accommodated to the still more distant one of the colonies, to the market in which they have the monopoly, rather than to that in which they have many competitors. The causes of decay in other branches of foreign trade, which, by Sir Matthew Decker[2] and other writers, have been sought for in the excess and improper mode of taxation, in the high price of labour, in the increase of luxury, &c., may all be found in the overgrowth of the colony trade. The mercantile capital of Great Britain, though very great, yet not being infinite; and though greatly increased since the act of navigation, yet not being increased in the same proportion as the colony trade, that trade could not possibly be carried on without withdrawing some part of that capital from other branches of trade, nor consequently without some decay of those other branches.

England, it must be observed, was a great trading country; her mercantile capital was very great, and likely to become still greater and greater every day, not only before the act of navigation had established the monopoly of the colony trade, but before that trade was very considerable. In the Dutch war, during the government of Cromwell, her navy was superior to that of Holland; and in that which broke out in the beginning of the reign of Charles II. it was at least equal, perhaps superior, to the united navies of France and Holland. Its superiority, perhaps, would scarce appear greater in the present times; at least if the Dutch navy was to bear the same proportion to the Dutch commerce now which it did then; but this great naval power could not, in either of those wars, be owing to the act of navigation. During the first of them, the plan of that act had been but just formed; and though before the breaking out of the second it had been fully enacted by legal authority, yet no part of it could have had time to produce any considerable effect, and least of all that part which established the exclusive trade to the colonies. Both the colonies and their trade were inconsiderable then in comparison of what they are now. The island of Jamaica was an unwholesome desert, little inhabited, and less cultivated. New York and New Jersey were in the possession of the Dutch; the half of St. Christophers in that of the French. The island of Antigua, the two Carolinas, Pennsylvania, Georgia, and Nova Scotia, were not planted. Virginia, Maryland, and New England were planted; and though they were very thriving colonies, yet there was not, perhaps, at that time, either in Europe or America, a single person who foresaw or even suspected the rapid progress which they have since made in wealth, population, and improvement. The island of Barbadoes, in short, was the only British colony of any consequence of which the condition at that time bore any resemblance to what it is at present. The trade of the colonies, of which England, even for some time after the act of navigation, enjoyed but a part, (for the act of navigation was not very strictly executed till several years after it was enacted) could

or wealth produced by the outlay of capital and labour in industrious undertakings, after the capital and the value of the labour so laid out have been replaced. It is clear, therefore, that they must be wholly unaffected by any extension of the field for the employment of capital: and as it is only by extending this field that the monopoly of the colony trade is supposed by Dr. Smith to raise the rate of profit, it follows that it cannot have the effects he has ascribed to it. See Supplemental Note on Colonial Policy.

[1] It would have been well had Smith given some proofs of this assertion. The Essay to which he refers is acute and able; but it must at the same time be admitted, that the decay of foreign trade, of which the author endeavours to assign the causes, had no existence in fact. All the branches of our foreign trade have been gradually increasing during the last hundred years.

[2] Mr. William Richardson, and not Decker, was the author of the work referred to by Smith—Literature of Political Economy, 329.

not at that time be the cause of the great trade of England, nor of the great naval power which was supported by that trade. The trade which at that time supported that great naval power was the trade of Europe, and of the countries which lie round the Mediterranean sea. But the share which Great Britain at present enjoys of that trade could not support any such great naval power. Had the growing trade of the colonies been left free to all nations, whatever share of it might have fallen to Great Britain, and a very considerable share would probably have fallen to her, must have been all an addition to this great trade, of which she was before in possession. In consequence of the monopoly, the increase of the colony trade has not so much occasioned an addition to the trade which Great Britain had before, as a total change in its direction.

Secondly, This monopoly has necessarily contributed to keep up the rate of profit in all the different branches of British trade higher than it naturally would have been, had all nations been allowed a free trade to the British colonies.[1]

The monopoly of the colony trade, as it necessarily drew towards that trade a greater proportion of the capital of Great Britain than what would have gone to it of its own accord, so by the expulsion of all foreign capitals it necessarily reduced the whole quantity of capital employed in that trade below what it naturally would have been in the case of a free trade. But, by lessening the competition of capitals in that branch of trade, it necessarily raised the rate of profit in that branch. By lessening too the competition of British capitals in all other branches of trade, it necessarily raised the rate of British profit in all those other branches. Whatever may have been, at any particular period, since the establishment of the act of navigation, the state or extent of the mercantile capital of Great Britain, the monopoly of the colony trade must, during the continuance of that state, have raised the ordinary rate of British profit higher than it otherwise would have been both in that and in all the other branches of British trade. If, since the establishment of the act of navigation, the ordinary rate of British profit has fallen considerably, as it certainly has, it must have fallen still lower, had not the monopoly established by that act contributed to keep it up.

But whatever raises in any country the ordinary rate of profit higher than it otherwise would be, necessarily subjects that country both to an absolute and to a relative disadvantage in every branch of trade of which she has not the monopoly.[2]

It subjects her to an absolute disadvantage; because in such branches of trade her merchants cannot get this greater profit, without selling dearer than they otherwise would do both the goods of foreign countries which they import into their own, and the goods of their own country which they export to foreign countries. Their own country must both buy dearer and sell dearer; must both buy less, and sell less; must both enjoy less and produce less, than she otherwise would do.[3]

It subjects her to a relative disadvantage; because in such branches of trade it sets other countries which are not subject to the same absolute disadvantage, either more above her or less below her than they otherwise would be. It enables them both to enjoy more and to produce more in proportion to what she enjoys and produces. It renders their superiority greater or their inferiority less than it otherwise would be. By raising the price of her produce above what it otherwise would be, it enables the merchants of other countries to undersell her in foreign markets, and thereby to justle her out of almost all those branches of trade, of which she has not the monopoly.

Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets; but they are silent about the high profits of stock. They complain of the extravagant gain of other people; but they say nothing of their own. The high profits of British stock, however, may contribute towards raising the price of British manufactures in many cases as much, and in some perhaps more, than the high wages of British labour.[4]

It is in this manner that the capital of Great Britain, one may justly say, has partly been drawn and partly been driven from the greater part of the different branches of trade of which she has not the monopoly; from the trade of Europe in particular, and from that of the countries which lie round the Mediterranean sea.

It has partly been drawn from those branches of trade, by the attraction of superior profit in the colony trade in consequence of the continual increase of that trade, and

[1] See note, *antè*, p. 267.

[2] If the monopoly of the colony trade really caused an increase in the rate of profit, it would, in so far, be undoubtedly advantageous: for a comparatively high rate of profit is one of the very best tests of national prosperity. (See *antè*, p. 159, note.) But the monopoly in question has no such effect. See note, *antè*, p. 267.

[3] This statement is partly true and partly erroneous. See supplemental note on the Effect of Fluctuations in the Rates of Wages and Profits on the Price of Commodities.

[4] A rise of profit occasions a rise in the price of some sorts of produce; but it occasions an equal fall in the price of other sorts, and, generally speaking, therefore, its effect may be said to be null. See reference in the foregoing note.

of the continual insufficiency of the capital which had carried it on one year to carry it on the next.

It has partly been driven from them, by the advantage which the high rate of profit, established in Great Britain, gives to other countries, in all the different branches of trade of which Great Britain has not the monopoly.[1]

As the monopoly of the colony trade has drawn from those other branches a part of the British capital which would otherwise have been employed in them, so it has forced into them many foreign capitals which would never have gone to them, had they not been expelled from the colony trade. In those other branches of trade it has diminished the competition of British capitals, and thereby raised the rate of British profit higher than it otherwise would have been. On the contrary, it has increased the competition of foreign capitals, and thereby sunk the rate of foreign profit lower than it otherwise would have been. Both in the one way and in the other it must evidently have subjected Great Britain to a relative disadvantage in all those other branches of trade.

The colony trade, however, it may perhaps be said, is more advantageous to Great Britain than any other; and the monopoly, by forcing into that trade a greater proportion of the capital of Great Britain than what would otherwise have gone to it, has turned that capital into an employment more advantageous to the country than any other which it could have found.

The most advantageous employment of any capital to the country to which it belongs is that which maintains there the greatest quantity of productive labour, and increases the most the annual produce of the land and labour of that country. But the quantity of productive labour which any capital employed in the foreign trade of consumption can maintain, is exactly in proportion, it has been shown in the second book, to the frequency of its returns. A capital of a thousand pounds, for example, employed in a foreign trade of consumption, of which the returns are made regularly once in the year, can keep in constant employment, in the country to which it belongs, a quantity of productive labour equal to what a thousand pounds can maintain there for a year. If the returns are made twice or thrice in the year, it can keep in constant employment a quantity of productive labour equal to what two or three thousand pounds can maintain there for a year.[2] A foreign trade of consumption carried on with a neighbouring, is, upon this account, in general, more advantageous than one carried on with a distant country; and for the same reason a direct foreign trade of consumption, as it has likewise been shown in the second book, is in general more advantageous than a roundabout one.

But the monopoly of the colony trade, so far as it has operated upon the employment of the capital of Great Britain, has in all cases forced some part of it from a foreign trade of consumption carried on with a neighbouring, to one carried on with a more distant country, and in many cases from a direct foreign trade of consumption to a roundabout one.

First, The monopoly of the colony trade has in all cases forced some part of the capital of Great Britain from a foreign trade of consumption carried on with a neighbouring to one carried on with a more distant country.

It has, in all cases, forced some part of that capital from the trade with Europe, and with the countries which lie round the Mediterranean sea, to that with the more distant regions of America and the West Indies, from which the returns are necessarily less frequent, not only on account of the greater distance, but on account of the peculiar circumstances of those countries. New colonies, it has already been observed, are always understocked. Their capital is always much less than what they could employ with great profit and advantage in the improvement and cultivation of their land. They have a constant demand, therefore, for more capital than they have of their own; and, in order to supply the deficiency of their own, they endeavour to borrow as much as they can of the mother country, to whom they are, therefore, always in debt. The most common way in which the colonists contract this debt, is not by borrowing upon bond of the rich people of the mother country, though they sometimes do this too, but by running as much in arrear to their correspondents, who supply them with goods from Europe, as those correspondents will allow them. Their annual returns frequently do not amount to more than a third, and sometimes not to so great a proportion of what they owe. The whole capital, therefore, which their correspondents advance to them is seldom returned to Britain in less than three, and sometimes not in less than four or five years. But a British capital of a thousand pounds, for example, which is returned to Great Britain only once in five years, can keep in constant

[1] It is singular how Dr. Smith should have said that the monopoly of the colony trade had driven us from some of the most productive branches of the trade of Europe, when, with the exception perhaps of the trade to France, our commerce with every other country was much greater than it had ever been before.

[2] We have already shown the fallacy of this doctrine (*ante*, p. 169). It is by the rate of nett profit which capital yields, that the advantageousness of the employments in which it is vested, is to be determined; and if it should be returned three or four times a year when employed in the home trade, and only once when employed in foreign trade, this single return will be equal to the whole amount of the others.

employment only one fifth part of the British industry which it could maintain if the whole was returned once in the year; and, instead of the quantity of industry which a thousand pounds could maintain for a year, can keep in constant employment the quantity only which two hundred pounds can maintain for a year.[1] The planter, no doubt, by the high price which he pays for the goods from Europe, by the interest upon the bills which he grants at distant dates, and by the commission upon the renewal of those which he grants at near dates, makes up, and probably more than makes up, all the loss which his correspondent can sustain by this delay. But, though he may make up the loss of his correspondent, he cannot make up that of Great Britain. In a trade of which the returns are very distant, the profit of the merchant may be as great or greater than in one in which they are very frequent and near; but the advantage of the country in which he resides, the quantity of productive labour constantly maintained there, the annual produce of the land and labour, must always be much less. That the returns of the trade to America, and still more those of that to the West Indies, are, in general, not only more distant, but more irregular, and more uncertain too, than those of the trade to any part of Europe, or even of the countries which lie round the Mediterranean sea, will readily be allowed, I imagine, by every body, who has any experience of those different branches of trade.

Secondly, The monopoly of the colony trade has, in many cases, forced some part of the capital of Great Britain from a direct foreign trade of consumption, into a roundabout one.

Among the enumerated commodities which can be sent to no other market but Great Britain, there are several of which the quantity exceeds very much the consumption of Great Britain, and of which a part, therefore, must be exported to other countries. But this cannot be done without forcing some part of the capital of Great Britain into a roundabout foreign trade of consumption. Maryland and Virginia, for example, send annually to Great Britain upwards of ninety-six thousand hogsheads of tobacco, and the consumption of Great Britain is said not to exceed fourteen thousand. Upwards of eighty-two thousand hogsheads, therefore, must be exported to other countries, to France, to Holland, and to the countries which lie round the Baltic and Mediterranean seas. But that part of the capital of Great Britain which brings those eighty-two thousand hogsheads to Great Britain, which re-exports them from thence to those other countries, and which brings back from those other countries to Great Britain either goods or money in return, is employed in a roundabout foreign trade of consumption, and is necessarily forced into this employment in order to dispose of this great surplus. If we would compute in how many years the whole of this capital is likely to come back to Great Britain, we must add to the distance of the American returns that of the returns from those other countries. If, in the direct foreign trade of consumption which we carry on with America the whole capital employed frequently does not come back in less than three or four years, the whole capital employed in this roundabout one is not likely to come back in less than four or five. If the one can keep in constant employment but a third or a fourth part of the domestic industry which could be maintained by a capital returned once in the year, the other can keep in constant employment but a fourth or a fifth part of that industry. At some of the outports a credit is commonly given to those foreign correspondents to whom they export their tobacco. At the port of London, indeed, it is commonly sold for ready money. The rule is, *Weigh and pay*. At the port of London, therefore, the final returns of the whole roundabout trade are more distant than the returns from America by the time only which the goods may lie unsold in the warehouse; where, however, they may sometimes lie long enough. But, had not the colonies been confined to the market of Great Britain for the sale of their tobacco, very little more of it would probably have come to us than what was necessary for the home consumption. The goods which Great Britain purchases at present for her own consumption with the great surplus of tobacco which she exports to other countries, she would, in this case, probably have purchased with the immediate produce of her own industry, or with some part of her own manufactures. That produce, those manufactures, instead of being almost entirely suited to one great market, as at present, would probably have been fitted to a great number of smaller markets. Instead of one great roundabout foreign trade of consumption, Great Britain would probably have carried on a great number of small direct foreign trades of the same kind. On account of the frequency of the returns, a part, and probably but a small part — perhaps not above a third or a fourth — of the capital which at present carries on this great roundabout trade, might have been sufficient to carry on all those small direct ones, might have kept in constant employment an equal quantity of British industry, and have equally supported the annual produce of the land and labour of Great Britain. All the purposes of this trade being, in this manner, answered by a much smaller capital, there would have been a

[1] See previous, note.

large spare capital to apply to other purposes; to improve the lands, to increase the manufactures, and to extend the commerce of Great Britain; to come into competition at least with the other British capitals employed in all those different ways, to reduce the rate of profit in them all, and thereby to give to Great Britain, in all of them, a superiority over other countries still greater than what she at present enjoys.

The monopoly of the colony trade, too, has forced some part of the capital of Great Britain from all foreign trade of consumption to a carrying trade; and, consequently, from supporting more or less the industry of Great Britain, to be employed altogether in supporting partly that of the colonies, and partly that of some other countries.

The goods, for example, which are annually purchased with the great surplus of eighty-two thousand hogsheads of tobacco annually re-exported from Great Britain, are not all consumed in Great Britain. Part of them—linen from Germany and Holland, for example—is returned to the colonies for their particular consumption. But that part of the capital of Great Britain which buys the tobacco with which this linen is afterwards bought, is necessarily withdrawn from supporting the industry of Great Britain, to be employed altogether in supporting, partly that of the colonies, and partly that of the particular countries who pay for this tobacco with the produce of their own industry.[1]

The monopoly of the colony trade besides, by forcing towards it a much greater proportion of the capital of Great Britain than what would naturally have gone to it, seems to have broken altogether that natural balance which would otherwise have taken place among all the different branches of British industry. The industry of Great Britain, instead of being accommodated to a great number of small markets, has been principally suited to one great market. Her commerce, instead of running in a great number of small channels, has been taught to run principally in one great channel; but the whole system of her industry and commerce has thereby been rendered less secure; the whole state of her body politic less healthful than it otherwise would have been. In her present condition, Great Britain resembles one of those unwholesome bodies in which some of the vital parts are overgrown, and which, upon that account, are liable to many dangerous disorders scarce incident to those in which all the parts are more properly proportioned. A small stop in that great blood-vessel, which has been artificially swelled beyond its natural dimensions, and through which an unnatural proportion of the industry and commerce of the country has been forced to circulate, is very likely to bring on the most dangerous disorders upon the whole body politic. The expectation of a rupture with the colonies, accordingly, has struck the people of Great Britain with more terror than they ever felt for a Spanish armada or a French invasion. It was this terror, whether well or ill grounded, which rendered the repeal of the stamp act, among the merchants at least, a popular measure. In the total exclusion from the colony market, was it to last only for a few years, the greater part of our merchants used to fancy that they foresaw an entire stop to their trade; the greater part of our master manufacturers, the entire ruin of their business; and the greater part of our workmen, an end of their employment. A rupture with any of our neighbours upon the continent, though likely too to occasion some stop or interruption in the employments of some of all these different orders of people, is foreseen, however, without any such general emotion. The blood, of which the circulation is stopt in some of the smaller vessels, easily disgorges itself into the greater, without occasioning any dangerous disorder; but when it is stopt in any of the greater vessels, convulsions, apoplexy, or death, are the immediate and unavoidable consequences. If but one of those overgrown manufactures, which, by means either of bounties or of the monopoly of the home and colony markets, have been artificially raised up to an unnatural height, finds some small stop or interruption in its employment, it frequently occasions a mutiny and disorder alarming to government, and embarrassing even to the deliberations of the legislature. How great, therefore, would be the disorder and confusion, it was thought, which must necessarily be occasioned by a sudden and entire stop in the employment of so great a proportion of our principal manufacturers?[2]

Some moderate and gradual relaxation of the laws which give to Great Britain the exclusive trade to the colonies, till it is ren-

[1] Dr. Smith justly maintains that the monopoly of the colony trade is productive of no real advantage to the mother country. But if it had really raised the rate of profit, as he contends it did, it would have been advantageous. Having once admitted that it had that effect, he had no means of proving that it was disadvantageous, but by resorting to his theory with respect to the comparative advantageousness of the capitals vested in different businesses; a theory which is equally at variance with Dr. Smith's own system, and with the principles of the science. See *ante*. p. 159, note.

[2] Dr. Smith seems to have greatly overrated this danger. If, on the one hand, the mother country have no natural or acquired capacity for carrying on an intercourse with her colonies, it is hardly possible to suppose that restrictive regulations should ever be able to secure her any very extensive traffic with them; and if, on the other hand, the mother country have any real capacity for carrying on the colonial trade, there is but little reason for thinking that the separation of all political connexion between her and her colonies will occasion any material diminution of the commercial intercourse between them. See supplemental note on Colonial Policy.

dered in a great measure free, seems to be the only expedient which can, in all future times, deliver her from this danger, which can enable her or even force her to withdraw some part of her capital from this overgrown employment, and to turn it, though with less profit, towards other employments; and which, by gradually diminishing one branch of her industry, and gradually increasing all the rest, can by degrees restore all the different branches of it to that natural, healthful, and proper proportion which perfect liberty necessarily establishes, and which perfect liberty can alone preserve. To open the colony trade all at once to all nations, might not only occasion some transitory inconveniency, but a great permanent loss to the greater part of those whose industry or capital is at present engaged in it. The sudden loss of the employment even of the ships which import the eighty-two thousand hogsheads of tobacco, which are over and above the consumption of Great Britain, might alone be felt very sensibly. Such are the unfortunate effects of all the regulations of the mercantile system! They not only introduce very dangerous disorders into the state of the body politic, but disorders which it is often difficult to remedy, without occasioning, for a time at least, still greater disorders. In what manner, therefore, the colony trade ought gradually to be opened; what are the restraints which ought first, and what are those which ought last to be taken away; or in what manner the natural system of perfect liberty and justice ought gradually to be restored, we must leave to the wisdom of future statesmen and legislators to determine.

Five different events, unforeseen and unthought of, have very fortunately concurred to hinder Great Britain from feeling, so sensibly as it was generally expected she would, the total exclusion which has now taken place for more than a year (from the first of December 1774) from a very important branch of the colony trade, that of the twelve associated provinces of North America. First, those colonies, in preparing themselves for their non-importation agreement, drained Great Britain completely of all the commodities which were fit for their market; secondly, the extraordinary demand of the Spanish Flota has, this year, drained Germany and the North of many commodities—linen in particular—which used to come into competition, even in the British market, with the manufactures of Great Britain; thirdly, the peace between Russia and Turkey has occasioned an extraordinary demand from the Turkey market, which, during the distress of the country, and while a Russian fleet was cruizing in the Archipelago, had been very poorly supplied; fourthly, the demand of the north of Europe for the manufactures of Great Britain has been increasing from year to year for some time past; and, fifthly, the late partition and consequential pacification of Poland, by opening the market of that great country, have this year added an extraordinary demand from thence to the increasing demand of the North. These events are all, except the fourth, in their nature transitory and accidental, and the exclusion from so important a branch of the colony trade, if unfortunately it should continue much longer, may still occasion some degree of distress. This distress, however, as it will come on gradually, will be felt much less severely than if it had come on all at once; and, in the mean time, the industry and capital of the country may find a new employment and direction, so as to prevent this distress from ever rising to any considerable height.

The monopoly of the colony trade, therefore, so far as it has turned towards that trade a greater proportion of the capital of Great Britain than what would otherwise have gone to it, has in all cases turned it from a foreign trade of consumption with a neighbouring, into one with a more distant country; in many cases, from a direct foreign trade of consumption into a roundabout one; and in some cases, from all foreign trade of consumption into a carrying trade. It has in all cases, therefore, turned it from a direction in which it would have maintained a greater quantity of productive labour, into one in which it can maintain a much smaller quantity. By suiting, besides, to one particular market only, so great a part of the industry and commerce of Great Britain, it has rendered the whole state of that industry and commerce more precarious and less secure than if their produce had been accommodated to a greater variety of markets.

We must carefully distinguish between the effects of the colony trade and those of the monopoly of that trade. The former are always and necessarily beneficial; the latter always and necessarily hurtful. But the former are so beneficial, that the colony trade, though subject to a monopoly, and notwithstanding the hurtful effects of that monopoly, is still upon the whole beneficial, and greatly beneficial; though a good deal less so than it otherwise would be.

The effect of the colony trade in its natural and free state is to open a great though distant market for such parts of the produce of British industry as may exceed the demand of the markets nearer home, of those of Europe, and of the countries which lie round the Mediterranean sea. In its natural and free state, the colony trade, without drawing from those markets any part of the produce which had ever been sent to them, encourages Great Britain to increase the surplus continually, by continually presenting new equi-

valents to be exchanged for it. In its natural and free state, the colony trade tends to increase the quantity of productive labour in Great Britain, but without altering in any respect the direction of that which had been employed there before. In the natural and free state of the colony trade, the competition of all other nations would hinder the rate of profit from rising above the common level either in the new market or in the new employment. The new market, without drawing any thing from the old one, would create, if one may say so, a new produce for its own supply; and that new produce would constitute a new capital for carrying on the new employment, which in the same manner would draw nothing from the old one.

The monopoly of the colony trade, on the contrary, by excluding the competition of other nations, and thereby raising the rate of profit both in the new market and in the new employment, draws produce from the old market and capital from the old employment. To augment our share of the colony trade beyond what it otherwise would be, is the avowed purpose of the monopoly. If our share of that trade were to be no greater with, than it would have been without the monopoly, there could have been no reason for establishing the monopoly. But whatever forces into a branch of trade of which the returns are slower and more distant than those of the greater part of other trades, a greater proportion of the capital of any country, than what of its own accord would go to that branch, necessarily renders the whole quantity of productive labour annually maintained there, the whole annual produce of the land and labour of that country, less than they otherwise would be. It keeps down the revenue of the inhabitants of that country, below what it would naturally rise to, and thereby diminishes their power of accumulation. It not only hinders, at all times, their capital from maintaining so great a quantity of productive labour as it would otherwise maintain, but it hinders it from increasing so fast as it would otherwise increase, and consequently from maintaining a still greater quantity of productive labour.

The natural good effects of the colony trade, however, more than counterbalance to Great Britain the bad effects of the monopoly; so that, monopoly and all together, that trade, even as it is carried on at present, is not only advantageous, but greatly advantageous. The new market and the new employment which are opened by the colony trade are of much greater extent than that portion of the old market and of the old employment which is lost by the monopoly. The new produce and the new capital which has been created, if one may say so, by the colony trade, maintain in Great Britain a greater quantity of productive labour than what can have been thrown out of employment by the revulsion of capital from other trades of which the returns are more frequent. If the colony trade, however, even as it is carried on at present, is advantageous to Great Britain, it is not by means of the monopoly, but in spite of the monopoly.

It is rather for the manufactured than for the rude produce of Europe that the colony trade opens a new market. Agriculture is the proper business of all new colonies; a business which the cheapness of land renders more advantageous than any other. They abound, therefore, in the rude produce of land, and instead of importing it from other countries, they have generally a large surplus to export. In new colonies, agriculture either draws hands from all other employments, or keeps them from going to any other employment. There are few hands to spare for the necessary and none for the ornamental manufactures. The greater part of the manufactures of both kinds they find it cheaper to purchase of other countries than to make for themselves. It is chiefly by encouraging the manufactures of Europe, that the colony trade indirectly encourages its agriculture. The manufacturers of Europe, to whom that trade gives employment, constitute a new market for the produce of the land; and the most advantageous of all markets — the home market for the corn and cattle, for the bread and butcher's meat of Europe — is thus greatly extended by means of the trade to America.

But that the monopoly of the trade of populous and thriving colonies is not alone sufficient to establish, or even to maintain manufactures in any country the examples of Spain and Portugal sufficiently demonstrate. Spain and Portugal were manufacturing countries before they had any considerable colonies. Since they had the richest and most fertile in the world, they have both ceased to be so.

In Spain and Portugal, the bad effects of the monopoly, aggravated by other causes, have, perhaps, nearly overbalanced the natural good effects of the colony trade. These causes seem to be, other monopolies of different kinds: the degradation of the value of gold and silver below what it is in most other countries; the exclusion from foreign markets by improper taxes upon exportation, and the narrowing of the home market, by still more improper taxes upon the transportation of goods from one part of the country to another; but above all, that irregular and partial administration of justice, which often protects the rich and powerful debtor from the pursuit of his injured creditor, and which makes the industrious part of the nation afraid to prepare goods for the consumption of those haughty and great men,

to whom they dare not refuse to sell upon credit, and from whom they are altogether uncertain of repayment.

In England, on the contrary, the natural good effects of the colony trade, assisted by other causes, have in a great measure conquered the bad effects of the monopoly. These causes seem to be, the general liberty of trade, which, notwithstanding some restraints, is at least equal, perhaps superior, to what it is in any country; the liberty of exporting, duty free, almost all sorts of goods which are the produce of domestic industry, to almost any foreign country; and what, perhaps, is of still greater importance, the unbounded liberty of transporting them from any one part of our own country to any other, without being obliged to give any account to any public office, without being liable to question or examination of any kind; but above all, that equal and impartial administration of justice which renders the rights of the meanest British subject respectable to the greatest, and which, by securing to every man the fruits of his own industry, gives the greatest and most effectual encouragement to every sort of industry.

If the manufactures of Great Britain, however, have been advanced, as they certainly have, by the colony trade, it has not been by means of the monopoly of that trade, but in spite of the monopoly.

The effect of the monopoly has been, not to augment the quantity, but to alter the quality and shape of a part of the manufactures of Great Britain, and to accommodate to a market, from which the returns are slow and distant, what would otherwise have been accommodated to one from which the returns are frequent and near. Its effect has consequently been to turn a part of the capital of Great Britain from an employment in which it would have maintained a greater quantity of manufacturing industry, to one in which it maintains a much smaller, and thereby to diminish, instead of increasing, the whole quantity of manufacturing industry maintained in Great Britain.

The monopoly of the colony trade, therefore, like all the other mean and malignant expedients of the mercantile system, depresses the industry of all other countries, but chiefly that of the colonies, without in the least increasing, but on the contrary diminishing, that of the country in whose favour it is established.

The monopoly hinders the capital of that country, whatever may at any particular time be the extent of that capital, from maintaining so great a quantity of productive labour as it would otherwise maintain, and from affording so great a revenue to the industrious inhabitants as it would otherwise afford. But as capital can be increased only by savings from revenue, the monopoly, by hindering it from affording so great a revenue as it would otherwise afford, necessarily hinders it from increasing so fast as it would otherwise increase, and consequently from maintaining a still greater quantity of productive labour, and affording a still greater revenue to the industrious inhabitants of that country. One great original source of revenue, therefore, the wages of labour, the monopoly must necessarily have rendered at all times less abundant than it otherwise would have been.

By raising the rate of mercantile profit the monopoly discourages the improvement of land. The profit of improvement depends upon the difference between what the land actually produces, and what, by the application of a certain capital, it can be made to produce. If this difference affords a greater profit than what can be drawn from an equal capital in any mercantile employment, the improvement of land will draw capital from all mercantile employments. If the profit is less, mercantile employments will draw capital from the improvement of land. Whatever, therefore, raises the rate of mercantile profit, either lessens the superiority or increases the inferiority of the profit of improvement; and in the one case hinders capital from going to improvement, and in the other draws capital from it. But by discouraging improvement, the monopoly necessarily retards the natural increase of another great original source of revenue—the rent of land. By raising the rate of profit too, the monopoly necessarily keeps up the market rate of interest higher than it otherwise would be. But the price of land in proportion to the rent which it affords, the number of years' purchase which is commonly paid for it, necessarily falls as the rate of interest rises, and rises as the rate of interest falls. The monopoly, therefore, hurts the interest of the landlord two different ways; by retarding the natural increase, first, of his rent, and secondly, of the price which he would get for his land in proportion to the rent which it affords.

The monopoly, indeed, raises the rate of mercantile profit, and thereby augments somewhat the gain of our merchants. But as it obstructs the natural increase of capital, it tends rather to diminish than to increase the sum total of the revenue which the inhabitants of the country derive from the profits of stock; a small profit upon a great capital generally affording a greater revenue than a great profit upon a small one. The monopoly raises the rate of profit: but it hinders the sum of profit from rising so high as it otherwise would do.[1]

[1] It has been already shown that the rise in the rate of profit occasioned by the monopoly of the colony trade, and consequently the various effects ascribed to it by Dr. Smith, are quite imaginary

All the original sources of revenue, the wages of labour, the rent of land, and the profits of stock, the monopoly renders much less abundant than they otherwise would be. To promote the little interest of one little order of men in one country, it hurts the interest of all other orders of men in that country, and of all men in all other countries.

It is solely by raising the ordinary rate of profit that the monopoly either has proved or could prove advantageous to any one particular order of men. But besides all the bad effects to the country in general, which have already been mentioned as necessarily resulting from a high rate of profit, there is one more fatal, perhaps, than all these put together, but which, if we may judge from experience, is inseparably connected with it. The high rate of profit seems everywhere to destroy that parsimony which in other circumstances is natural to the character of the merchant.[1] When profits are high, that sober virtue seems to be superfluous, and expensive luxury to suit better the affluence of his situation. But the owners of the great mercantile capitals are necessarily the leaders and conductors of the whole industry of every nation, and their example has a much greater influence upon the manners of the whole industrious part of it than that of any other order of men. If his employer is attentive and parsimonious, the workman is very likely to be so too; but if the master is dissolute and disorderly, the servant who shapes his work according to the pattern which his master prescribes to him, will shape his life too according to the example which he sets him. Accumulation is thus prevented in the hands of all those who are naturally the most disposed to accumulate; and the funds destined for the maintenance of productive labour receive no augmentation from the revenue of those who ought naturally to augment them the most. The capital of the country, instead of increasing, gradually dwindles away, and the quantity of productive labour maintained in it grows every day less and less. Have the exorbitant profits of the merchants of Cadiz and Lisbon augmented the capital of Spain and Portugal?[2] Have they alleviated the poverty, have they promoted the industry, of those two beggarly countries? Such has been the tone of mercantile expense in those two trading cities, that those exorbitant profits, far from augmenting the general capital of the country, seem scarce to have been sufficient to keep up the capitals upon which they were made. Foreign capitals are every day intruding themselves, if I may say so, more and more into the trade of Cadiz and Lisbon. It is to expel those foreign capitals from a trade which their own grows every day more and more insufficient for carrying on, that the Spaniards and Portuguese endeavour every day to straiten more and more the galling bands of their absurd monopoly. Compare the mercantile manners of Cadiz and Lisbon with those of Amsterdam, and you will be sensible how differently the conduct and character of merchants are affected by the high and by the low profits of stock. The merchants of London, indeed, have not yet generally become such magnificent lords as those of Cadiz and Lisbon; but neither are they in general such attentive and parsimonious burghers as those of Amsterdam. They are supposed, however, many of them, to be a good deal richer than the greater part of the former, and not quite so rich as many of the latter. But the rate of their profit is commonly much lower than that of the former, and a good deal higher than that of the latter. Light come light go, says the proverb; and the ordinary tone of expense seems everywhere to be regulated, not so much according to the real ability of spending, as to the supposed facility of getting money to spend.

It is thus that the single advantage which the monopoly procures to a single order of men is in many different ways hurtful to the general interest of the country.

To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers. Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens, to found and maintain such an empire. Say to a shopkeeper, Buy me a good estate, and I shall always buy my clothes at your shop, even though I should pay somewhat dearer than what I can have them for at other shops; and you will not find him very forward to embrace your proposal. But should any other person buy you such an estate, the shopkeeper would be much obliged to your benefactor if he would enjoin you to buy all

The monopoly has occasioned no such rise. If it had, it would be very difficult, indeed, to show that it was injurious.

[1] Has it done this in the United States, New Holland or Van Diemen's Land? or in any country in which a high rate of profit is accompanied with security of property, and freedom of industry?

[2] It is very questionable, indeed, whether the average nett profits realised by the Cadiz and Lisbon merchants, to whom Dr. Smith alludes, were really greater than those realised by the merchants of London; though, if they were, the wretched institutions and police of Spain would have prevented them from accumulating and employing their surpluses in the same way.

your clothes at his shop. England purchased for some of her subjects, who found themselves uneasy at home, a great estate in a distant country. The price, indeed, was very small, and instead of thirty years' purchase, the ordinary price of land in the present times, it amounted to little more than the expense of the different equipments which made the first discovery, reconnoitred the coast, and took a fictitious possession of the country. The land was good and of great extent and the cultivators having plenty of good ground to work upon, and being for some time at liberty to sell their produce where they pleased, became in the course of little more than thirty or forty years (between 1620 and 1660) so numerous and thriving a people, that the shopkeepers and other traders of England wished to secure to themselves the monopoly of their custom. Without pretending, therefore, that they had paid any part, either of the original purchase money, or of the subsequent expense of improvement, they petitioned the parliament that the cultivators of America might for the future be confined to their shop: first, for buying all the goods which they wanted from Europe; and, secondly, for selling all such parts of their own produce as those traders might find it convenient to buy,—for they did not find it convenient to buy every part of it. Some parts of it imported into England might have interfered with some of the trades which they themselves carried on at home. Those particular parts of it, therefore, they were willing that the colonists should sell where they could; the farther off the better; and upon that account proposed that their market should be confined to the countries south of Cape Finisterre. A clause in the famous act of navigation established this truly shopkeeper proposal into a law.

The maintenance of this monopoly has hitherto been the principal, or more properly perhaps the sole, end and purpose of the dominion which Great Britain assumes over her colonies. In the exclusive trade, it is supposed, consists the great advantage of provinces, which have never yet afforded either revenue or military force for the support of the civil government, or the defence of the mother country. The monopoly is the principal badge of their dependency, and it is the sole fruit which has hitherto been gathered from that dependency. Whatever expense Great Britain has hitherto laid out in maintaining this dependency, has really been laid out in order to support this monopoly. The expense of the ordinary peace establishment of the colonies amounted, before the commencement of the present disturbances, to the pay of twenty regiments of foot; to the expense of the artillery, stores, and extraordinary provisions with which it was necessary to supply them; and to the expense of a very considerable naval free which was constantly kept up, in order to guard, from the smuggling vessels of other nations, the immense coast of North America, and that of our West Indian islands. The whole expense of this peace establishment was a charge upon the revenue of Great Britain, and was, at the same time, the smallest part of what the dominion of the colonies has cost the mother country. If we would know the amount of the whole, we must add to the annual expense of this peace establishment the interest of the sums which, in consequence of her considering her colonies as provinces subject to her dominion, Great Britain has upon different occasions laid out upon their defence. We must add to it, in particular, the whole expense of the late war, and a great part of that of the war which preceded it. The late war was altogether a colony quarrel, and the whole expense of it, in whatever part of the world it may have been laid out, whether in Germany or the East Indies, ought justly to be stated to the account of the colonies. It amounted to more than ninety millions sterling, including not only the new debt which was contracted, but the two shillings in the pound additional land tax, and the sums which were every year borrowed from the sinking fund. The Spanish war which began in 1739 was principally a colony quarrel. Its principal object was to prevent the search of the colony ships which carried on a contraband trade with the Spanish main. This whole expense is, in reality, a bounty which has been given in order to support a monopoly. The pretended purpose of it was to encourage the manufactures and to increase the commerce of Great Britain: but its real effect has been to raise the rate of mercantile profit, and to enable our merchants to turn into a branch of trade, of which the returns are more slow and distant than those of the greater part of other trades, a greater proportion of their capital than they otherwise would have done,—two events which, if a bounty could have prevented, it might perhaps have been very well worth while to give such a bounty.

Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies.

To propose that Great Britain should voluntarily give up all authority over her colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they might think proper, would be to propose such a measure as never was, and never will be, adopted by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the

revenue which it afforded might be in proportion to the expense which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation; and, what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it, who would thereby be deprived of the disposal of many places of trust and profit, of many opportunities of acquiring wealth and distinction, which the possession of the most turbulent, and, to the great body of the people, the most unprofitable province seldom fails to afford. The most visionary enthusiast would scarce be capable of proposing such a measure, with any serious hopes at least of its ever being adopted. If it was adopted, however, Great Britain would not only be immediately freed from the whole annual expense of the peace establishment of the colonies, but might settle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people, though less so to the merchants than the monopoly which she at present enjoys.[1] By thus parting good friends, the natural affection of the colonies to the mother country, which, perhaps, our late dissensions have well nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries together, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and, instead of turbulent and factious subjects, to become our most faithful, affectionate, and generous allies; and the same sort of parental affection on the one side, and filial respect on the other, might revive between Great Britain and her colonies, which used to subsist between those of ancient Greece and the mother city from which they descended.

In order to render any province advantageous to the empire to which it belongs, it ought to afford, in time of peace, a revenue to the public sufficient not only for defraying the whole expense of its own peace establishment, but for contributing its proportion to the support of the general government of the empire. Every province necessarily contributes, more or less, to increase the expense of that general government. If any particular province, therefore, does not contribute its share towards defraying this expense, an unequal burden must be thrown upon some other part of the empire. The extraordinary revenue, too, which every province affords to the public in time of war, ought, from parity of reason, to bear the same proportion to the extraordinary revenue of the whole empire which its ordinary revenue does in time of peace. That neither the ordinary nor extraordinary revenue which Great Britain derives from her colonies bears this proportion to the whole revenue of the British empire will readily be allowed. The monopoly, it has been supposed, indeed, by increasing the private revenue of the people of Great Britain, and thereby enabling them to pay greater taxes, compensates the deficiency of the public revenue of the colonies. But this monopoly, I have endeavoured to show, though a very grievous tax upon the colonies, and though it may increase the revenue of a particular order of men in great Britain, diminishes instead of increasing, that of the great body of the people; and consequently diminishes instead of increasing the ability of the great body of the people to pay taxes. The men, too, whose revenue the monopoly increases, constitute a particular order, which it is both absolutely impossible to tax beyond the proportion of other orders, and extremely impolitic even to attempt to tax beyond that proportion, as I shall endeavour to show in the following book. No particular resource, therefore, can be drawn from this particular order.

The colonies may be taxed either by their own assemblies, or by the parliament of Great Britain.

That the colony assemblies can ever be so managed as to levy upon their constituents a public revenue sufficient, not only to maintain at all times their own civil and military establishment, but to pay their proper proportion of the expense of the general government of the British empire, seems not very probable. It was a long time before even the parliament of England, though placed immediately under the eye of the sovereign, could be brought under such a system of management, or could be rendered sufficiently liberal in their grants for supporting the civil and military establishments even of their own country. It was only by distributing among the particular members of parliament a great part either of the offices, or of the disposal of the offices, arising from this civil and military establishment, that such a system of management could be established even with regard to the parliament of England. But the distance of the colony assemblies from the eye of the sovereign, their number, their dispersed situation, and their various constitutions, would render it very difficult to manage them in the same manner, even though the sovereign had the same means of doing it; and those means are wanting. It would be absolutely impossible to distribute among all the leading

[1] It would be in every respect as advantageous to the merchants; for no monopoly can ever raise their profits above the common level, and cannot, therefore, be of any real or lasting advantage to them.

members of all the colony assemblies such a share, either of the offices or of the disposal of the offices, arising from the general government of the British empire, as to dispose them to give up their popularity at home, and to tax their constituents for the support of that general government, of which almost the whole emoluments were to be divided among people who were strangers to them. The unavoidable ignorance of administration, besides, concerning the relative importance of the different members of those different assemblies, the offences which must frequently be given, the blunders which must constantly be committed in attempting to manage them in this manner, seems to render such a system of management altogether impracticable with regard to them.

The colony assemblies, besides, cannot be supposed the proper judges of what is necessary for the defence and support of the whole empire. The care of that defence and support is not intrusted to them. It is not their business, and they have no regular means of information concerning it. The assembly of a province, like the vestry of a parish, may judge very properly concerning the affairs of its own particular district, but can have no proper means of judging concerning those of the whole empire. It cannot even judge properly concerning the proportion which its own province bears to the whole empire; or concerning the relative degree of its wealth and importance, compared with the other provinces; because those other provinces are not under the inspection and superintendency of the assembly of a particular province. What is necessary for the defence and support of the whole empire, and in what proportion each part ought to contribute, can be judged of only by that assembly which inspects and superintends the affairs of the whole empire.

It has been proposed, accordingly, that the colonies should be taxed by requisition, the parliament of Great Britain determining the sum which each colony ought to pay, and the provincial assembly assessing and levying it in the way that suited best the circumstances of the province. What concerned the whole empire would in this way be determined by the assembly which inspects and superintends the affairs of the whole empire; and the provincial affairs of each colony might still be regulated by its own assembly. Though the colonies should in this case have no representatives in the British parliament, yet, if we may judge by experience, there is no probability that the parliamentary requisition would be unreasonable. The parliament of England has not upon any occasion shown the smallest disposition to overburden those parts of the empire which are not represented in parliament. The islands of Guernsey and Jersey, without any means of resisting the authority of parliament, are more lightly taxed than any part of Great Britain. Parliament, in attempting to exercise its supposed right, whether well or ill grounded, of taxing the colonies, has never hitherto demanded of them any thing which even approached to a just proportion to what was paid by their fellow-subjects at home. If the contribution of the colonies, besides, was to rise or fall in proportion to the rise or fall of the land tax, parliament could not tax them without taxing at the same time its own constituents, and the colonies might in this case be considered as virtually represented in parliament.

Examples are not wanting of empires in which all the different provinces are not taxed, if I may be allowed the expression, in one mass; but in which the sovereign regulates the sum which each province ought to pay, and in some provinces assesses and levies it as he thinks proper; while in others he leaves it to be assessed and levied as the respective states of each province shall determine. In some provinces of France the king not only imposes what taxes he thinks proper, but assesses and levies them in the way he thinks proper. From others he demands a certain sum, but leaves it to the states of each province to assess and levy that sum as they think proper. According to the scheme of taxing by requisition, the parliament of Great Britain would stand nearly in the same situation towards the colony assemblies, as the king of France does towards the states of those provinces which still enjoy the privilege of having states of their own, the provinces of France which are supposed to be the best governed.

But though, according to this scheme, the colonies could have no just reason to fear that their share of the public burdens should ever exceed the proper proportion to that of their fellow-citizens at home, Great Britain might have just reason to fear that it never would amount to that proper proportion. The parliament of Great Britain has not for some time past had the same established authority in the colonies which the French king has in those provinces of France which still enjoy the privilege of having states of their own. The colony assemblies, if they were not very favourably disposed (and unless more skilfully managed than they ever have been hitherto, they are not very likely to be so), might still find many pretences for evading or rejecting the most reasonable requisitions of parliament. A French war breaks out, we shall suppose; ten millions must immediately be raised, in order to de-

fend the seat of the empire. This sum must be borrowed upon the credit of some parliamentary fund mortgaged for paying the interest. Part of this fund parliament proposes to raise by a tax to be levied in Great Britain, and part of it by a requisition to all the different colony assemblies of America and the West Indies. Would people readily advance their money upon the credit of a fund which partly depended upon the good humour of all those assemblies, far distant from the seat of the war, and sometimes, perhaps, thinking themselves not much concerned in the event of it? Upon such a fund no more money would probably be advanced than what the tax to be levied in Great Britain might be supposed to answer for. The whole burden of the debt contracted on account of the war would in this manner fall, as it always has done hitherto, upon Great Britain; upon a part of the empire, and not upon the whole empire. Great Britain is, perhaps, since the world began, the only state which, as it has extended its empire, has only increased its expense without once augmenting its resources. Other states have generally disburdened themselves upon their subject and subordinate provinces of the most considerable part of the expense of defending the empire. Great Britain has hitherto suffered her subject and subordinate provinces to disburden themselves upon her of almost this whole expense. In order to put Great Britain upon a footing of equality with her own colonies, which the law has hitherto supposed to be subject and subordinate, it seems necessary, upon the scheme of taxing them by parliamentary requisition, that parliament should have some means of rendering its requisitions immediately effectual, in case the colony assemblies should attempt to evade or reject them; and what those means are, it is not very easy to conceive, and it has not yet been explained.

Should the parliament of Great Britain, at the same time, be ever fully established in the right of taxing the colonies, even independent of the consent of their own assemblies, the importance of those assemblies would from that moment be at an end, and with it that of all the leading men of British America. Men desire to have some *share* in the management of public affairs chiefly on account of the importance which it gives them. Upon the power which the greater part of the leading men, the natural aristocracy of every country, have of preserving or defending their respective importance, depends the stability and duration of every system of free government. In the attacks which those leading men are continually making upon the importance of one another, and in the defence of their own, consists the whole play of domestic faction and ambition. The leading men of America, like those of all other countries, desire to preserve their own importance. They feel, or imagine, that if their assemblies, which they are fond of calling parliaments, and of considering as equal in authority to the parliament of Great Britain, should be so far degraded as to become the humble ministers and executive officers of that parliament, the greater part of their own importance would be at an end. They have rejected, therefore, the proposal of being taxed by parliamentary requisition, and like other ambitious and high-spirited men, have rather chosen to draw the sword in defence of their own importance.

Towards the declension of the Roman republic, the allies of Rome, who had borne the principal burden of defending the state and extending the empire, demanded to be admitted to all the privileges of Roman citizens. Upon being refused, the social war broke out. During the course of that war Rome granted those privileges to the greater part of them, one by one, and in proportion as they detached themselves from the general confederacy. The parliament of Great Britain insists upon taxing the colonies; and they refuse to be taxed by a parliament in which they are not represented. If to each colony, which should detach itself from the general confederacy Great Britain should allow such a number of representatives as suited the proportion of what it contributed to the public revenue of the empire, in consequence of its being subjected to the same taxes, and in compensation admitted to the same freedom of trade with its fellow-subjects at home; the number of its representatives to be augmented as the proportion of its contribution might afterwards augment; a new method of acquiring importance, a new and more dazzling object of ambition would be presented to the leading men of each colony. Instead of piddling for the little prizes which are to be found in what may be called the paltry raffle of colony faction, they might *then hope*, from the presumption which men naturally have in their own ability and good fortune, to draw some of the great prizes which sometimes come from the wheel of the great state lottery of British politics. Unless this or some other method is fallen upon, and there seems to be none more obvious than this, of preserving the importance and of gratifying the ambition of the leading men of America, it is not very probable that they will ever voluntarily submit to us; and we ought to consider that the blood which must be shed in forcing them to do so, is, every drop of it, the blood either of those who are, or of those whom we wish to have for our fellow-citizens. They are very weak who flatter themselves that, in the state to which things have come

our colonies will be easily conquered by force alone. The persons who now govern the resolutions of what they call their continental congress, feel in themselves at this moment a degree of importance which, perhaps, the greatest subjects in Europe scarce feel. From shopkeepers, tradesmen, and attorneys, they are become statesmen and legislators, and are employed in contriving a new form of government for an extensive empire, which, they flatter themselves, will become, and which, indeed, seems very likely to become, one of the greatest and most formidable that ever was in the world. Five hundred different people, perhaps, who in different ways act immediately under the continental congress; and five hundred thousand, perhaps, who act under those five hundred, all feel in the same manner a proportionable rise in their own importance. Almost every individual of the governing party in America, fills, at present, in his own fancy, a station superior, not only to what he had ever filled before, but to what he had ever expected to fill; and unless some new object of ambition is presented either to him or to his leaders, if he has the ordinary spirit of a man, he will die in defence of that station.

It is a remark of the president Henault, that we now read with pleasure the account of many little transactions of the Ligue, which when they happened were not perhaps considered as very important pieces of news. But every man then, says he, fancied himself of some importance; and the innumerable memoirs which have come down to us from those times, were, the greater part of them, written by people who took pleasure in recording and magnifying events in which, they flattered themselves, they had been considerable actors. How obstinately the city of Paris upon that occasion, defended itself, what a dreadful famine it supported rather than submit to the best and afterwards to the most beloved of all the French kings, is well known. The greater part of the citizens, or those who governed the greater part of them, fought in defence of their own importance, which they foresaw was to be at an end whenever the ancient government should be re-established. Our colonies, unless they can be induced to consent to a union, are very likely to defend themselves against the best of all mother countries, as obstinately as the city of Paris did against one of the best of kings.

The idea of representation was unknown in ancient times. When the people of one state were admitted to the right of citizenship in another, they had no other means of exercising that right but by coming in a body to vote and deliberate with the people of that other state. The admission of the greater part of the inhabitants of Italy to the privileges of Roman citizens, completely ruined the Roman republic. It was no longer possible to distinguish between who was and who was not a Roman citizen. No tribe could know its own members. A rabble of any kind could be introduced into the assemblies of the people, could drive out the real citizens, and decide upon the affairs of the republic as if they themselves had been such. But though America were to send fifty or sixty new representatives to parliament, the doorkeeper of the House of Commons could not find any great difficulty in distinguishing between who was and who was not a member. Though the Roman constitution, therefore, was necessarily ruined by the union of Rome with the allied states of Italy, there is not the least probability that the British constitution would be hurt by the union of Great Britain with her colonies. That constitution, on the contrary, would be completed by it, and seems to be imperfect without it. The assembly which deliberates and decides concerning the affairs of every part of the empire, in order to be properly informed, ought certainly to have representatives from every part of it. That this union, however, could be easily effectuated, or that difficulties and great difficulties might not occur in the execution, I do not pretend. I have yet heard of none, however, which appear insurmountable. The principal perhaps arise, not from the nature of things, but from the prejudices and opinions of the people both on this and on the other side of the Atlantic.

We, on this side the water, are afraid lest the multitude of American representatives should overturn the balance of the constitution, and increase too much either the influence of the crown on the one hand, or the force of the democracy on the other. But if the number of American representatives were to be in proportion to the produce of American taxation, the number of people to be managed would increase exactly in proportion to the means of managing them; and the means of managing, to the number of people to be managed. The monarchical and democratical parts of the constitution would, after the union, stand exactly in the same degree of relative force with regard to one another as they had done before.

The people on the other side of the water, are afraid lest their distance from the seat of government might expose them to many oppressions. But their representatives in parliament, of which the number ought from the first to be considerable, would easily be able to protect them from all oppression. The distance could not much weaken the dependency of the representative upon the constituent, and the former would still feel that he owed his seat in parliament, and all the consequence which he derived from it, to the

good will of the latter. It would be the interest of the former, therefore, to cultivate that good will by complaining, with all the authority of a member of the legislature, of every outrage which any civil or military officer might be guilty of in those remote parts of the empire. The distance of America from the seat of government, besides, the natives of that country might flatter themselves with some appearance of reason too, would not be of very long continuance. Such has hitherto been the rapid progress of that country in wealth, population, and improvement, that in the course of little more than a century, perhaps the produce of American might exceed that of British taxation. The seat of the empire would then naturally remove itself to that part of the empire which contributed most to the general defence and support of the whole.

The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. Their consequences have already been very great: but, in the short period of between two and three centuries which has elapsed since these discoveries were made, it is impossible that the whole extent of their consequences can have been seen. What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives, however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned. These misfortunes, however, seem to have arisen rather from accident than from any thing in the nature of those events themselves. At the particular time when these discoveries were made, the superiority of force happened to be so great on the side of the Europeans, that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it.

In the mean time, one of the principal effects of those discoveries has been to raise the mercantile system to a degree of splendour and glory which it could never otherwise have attained to. It is the object of that system to enrich a great nation rather by trade and manufactures than by the improvement and cultivation of land, rather by the industry of the towns than by that of the country. But, in consequence of those discoveries, the commercial towns of Europe, instead of being the manufacturers and carriers for but a very small part of the world, (that part of Europe which is washed by the Atlantic ocean, and the countries which lie round the Baltic and Mediterranean seas,) have now become the manufacturers for the numerous and thriving cultivators of America, and the carriers, and in some respects the manufacturers too, for almost all the different nations of Asia, Africa, and America. Two new worlds have been opened to their industry, each of them much greater and more extensive than the old one, and the market of one of them growing still greater and greater every day.

The countries which possess the colonies of America, and which trade directly to the East Indies, enjoy, indeed, the whole show and splendour of this great commerce. Other countries, however, notwithstanding all the invidious restraints by which it is meant to exclude them, frequently enjoy a greater share of the real benefit of it. The colonies of Spain and Portugal, for example, give more real encouragement to the industry of other countries than to that of Spain and Portugal. In the single article of linen alone the consumption of those colonies amounts, it is said, but I do not pretend to warrant the quantity, to more than three millions sterling a year. But this great consumption is almost entirely supplied by France, Flanders, Holland, and Germany. Spain and Portugal furnish but a small part of it. The capital which supplies the colonies with this great quantity of linen is annually distributed among, and furnishes a revenue to, the inhabitants of those other countries. The profits of it only are spent in Spain and Portugal where they help to support the sumptuous profusion of the merchants of Cadiz and Lisbon.

Even the regulations by which each nation endeavours to secure to itself the exclusive trade of its own colonies, are frequently more hurtful to the countries in favour of which they are established than to those against which they are established. The unjust oppression of the industry of other countries falls back if I may say so,

upon the heads of the oppressors, and crushes their industry more than it does that of those other countries. By those regulations, for example, the merchant of Hamburgh must send the linen which he destines for the American market to London, and he must bring back from thence the tobacco which he destines for the German market; because he can neither send the one directly to America, nor bring back the other directly from thence. By this restraint he is probably obliged to sell the one somewhat cheaper, and to buy the other somewhat dearer, than he otherwise might have done; and his profits are probably somewhat abridged by means of it. In this trade, however, between Hamburgh and London, he certainly receives the returns of his capital much more quickly than he could possibly have done in the direct trade to America, even though we should suppose, what is by no means the case, that the payments of America were as punctual as those of London. In the trade, therefore, to which those regulations confine the merchant of Hamburgh, his capital can keep in constant employment a much greater quantity of German industry than it possibly could have done in the trade from which he is excluded. Though the one employment, therefore, may to him perhaps be less profitable than the other, it cannot be less advantageous to his country. It is quite otherwise with the employment into which the monopoly naturally attracts, if I may say so, the capital of the London merchant. That employment may, perhaps, be more profitable to him than the greater part of other employments, but on account of the slowness of the returns, it cannot be more advantageous to his country.

After all the unjust attempts, therefore, of every country in Europe to engross to itself the whole advantage of the trade of its own colonies, no country has yet been able to engross to itself any thing but the expense of supporting in time of peace and of defending in time of war the oppressive authority which it assumes over them. The inconveniencies resulting from the possession of its colonies every country has engrossed to itself completely. The advantages resulting from their trade it has been obliged to share with many other countries.

[illegible] first sight, no doubt, the monopoly of the great commerce of America naturally [illegible] to be an acquisition of the highest [illegible]

To the undiscerning eye of giddy ambition, it naturally presents itself amidst the confused scramble of politics and war, as a very dazzling object to fight for. The dazzling splendour of the object, however, the immense greatness of the commerce, is the very quality which renders the monopoly of it hurtful, or which makes one employment — in its own nature necessarily less advantageous to the country than the greater part of other employments — absorb a much greater proportion of capital of the country than what would otherwise have gone to it.

The mercantile stock of every country, it has been shown in the second book, naturally seeks, if one may say so, the employment most advantageous to that country. If it is employed in the carrying trade, the country to which it belongs becomes the emporium of the goods of all the countries whose trade that stock carries on. But the owner of that stock necessarily wishes to dispose of as great a part of those goods as he can at home. He thereby saves himself the trouble, risk, and expense of exportation, and he will upon that account be glad to sell them at home, not only for a much smaller price, but with somewhat a smaller profit than he might expect to make by sending them abroad. He naturally, therefore, endeavours as much as he can to turn his carrying trade into a foreign trade of consumption. If his stock again is employed in a foreign trade of consumption, he will, for the same reason, be glad to dispose of at home as great a part as he can of the home goods, which he collects in order to export to some foreign market, and he will thus endeavour, as much as he can, to turn his foreign trade of consumption into a home trade. The mercantile stock of every country naturally courts in this manner the near, and shuns the distant employment; naturally courts the employment in which the returns are frequent, and shuns that in which they are distant and slow; naturally courts the employment in which it can maintain the greatest quantity of productive labour in the country to which it belongs, or in which its owner resides, and shuns that in which it can maintain there the smallest quantity. It naturally courts the employment which in ordinary cases is most advantageous, and shuns that which in ordinary cases is least advantageous to that country.

But if in any of those distant employments, which in ordinary cases are less advantageous to the country, the profit should happen to rise somewhat higher than what is sufficient to balance the natural preference which is given to nearer employments, this superiority of profit will draw stock from those nearer employments, till the profits of all return to their proper level. This superiority of profit, however, is a proof that, in the actual circumstances of the society, those distant employments are somewhat understocked in proportion to other employments, and that the stock of the society is not distributed in the properest manner among all the different employments carries

on in it. It is a proof that something is either bought cheaper or sold dearer than it ought to be, and that some particular class of citizens is more or less oppressed, either by paying more or by getting less than what is suitable to that equality which ought to take place, and which naturally does take place among all the different classes of them. Though the same capital never will maintain the same quantity of productive labour in a distant as in a near employment, yet a distant employment may be as necessary for the welfare of the society as a near one; the goods which the distant employment deals in being necessary, perhaps, for carrying on many of the nearer employments. But if the profits of those who deal in such goods are above their proper level, those goods will be sold dearer than they ought to be, or somewhat above their natural price, and all those engaged in the nearer employments will be more or less oppressed by this high price. Their interest, therefore, in this case requires that some stock should be withdrawn from those nearer employments, and turned towards that distant one, in order to reduce its profits to their proper level, and the price of the goods which it deals in to their natural price. In this extraordinary case, the public interest requires that some stock should be withdrawn from those employments which in ordinary cases are more advantageous, and turned towards one which in ordinary cases is less advantageous to the public: and in this extraordinary case, the natural interests and inclinations of men coincide as exactly with the public interest as in all other ordinary cases, and lead them to withdraw stock from the near, and to turn it towards the distant employment.

It is thus that the private interests and passions of individuals naturally dispose them to turn their stock towards the employments which in ordinary cases are most advantageous to the society. But if from this natural preference they should turn too much of it towards those employments, the fall of profit in them and the rise of it in all others immediately dispose them to alter this faulty distribution. Without any intervention of law, therefore, the private interests and passions of men naturally lead them to divide and distribute the stock of every society, among all the different employments carried on in it, as nearly as possible in the proportion which is most agreeable to the interest of the whole society.[1]

All the different regulations of the mercantile system necessarily derange more or less this natural and most advantageous distribution of stock. But those which concern the trade to America and the East Indies derange it perhaps more than any other; because the trade to those two great continents absorbs a greater quantity of stock than any two other branches of trade. The regulations, however, by which this derangement is effected in those two different branches of trade are not altogether the same. Monopoly is the great engine of both; but it is a different sort of monopoly. Monopoly of one kind or another, indeed, seems to be the sole engine of the mercantile system.

In the trade to America every nation endeavours to engross as much as possible the whole market of its own colonies, by fairly excluding all other nations from any direct trade to them. During the greater part of the sixteenth century, the Portuguese endeavoured to manage the trade to the East Indies in the same manner, by claiming the sole right of sailing in the Indian seas, on account of the merit of having first found out the road to them. The Dutch still continue to exclude all other European nations from any direct trade to their spice islands. Monopolies of this kind are evidently established against all other European nations, who are thereby not only excluded from a trade to which it might be convenient for them to turn some part of their stock, but are obliged to buy the goods which that trade deals in somewhat dearer, than if they could import them themselves directly from the countries which produce them.

But since the fall of the power of Portugal, no European nation has claimed the exclusive right of sailing in the Indian seas, of which the principal ports are now open to the ships of all European nations. Except in Portugal, however, and within these few years in France, the trade to the East Indies has in every European country been subjected to an exclusive company. Monopolies of this kind are properly established against the very nation which erects them. The greater part of that nation are thereby not only excluded from a trade to which it might be convenient for them to turn some part of their stock, but are obliged to buy the goods which that trade deals in, somewhat dearer than if it was open and free to all their countrymen. Since the establishment of the English East India company, for example, the other inhabitants of England, over and above being excluded from the trade, must have paid in the price of the East India goods which they have consumed, not only for all the extraordinary profits which the company may have made upon those goods in consequence of their monopoly, but for all the extraordinary waste

[1] Capitals are uniformly attracted to those employments in which it is supposed they will, all things considered, yield the largest nett profits: and, however much they may differ in other respects, such employments as yield the same nett profits are equally advantageous to the public.

which the fraud and abuse, inseparable from the management of the affairs of so great a company, must necessarily have occasioned. The absurdity of this second kind of monopoly, therefore, is much more manifest than that of the first.

Both these kinds of monopolies derange more or less the natural distribution of the stock of the society; but they do not always derange it in the same way.

Monopolies of the first kind always attract to the particular trade in which they are established, a greater proportion of the stock of the society than what would go to that trade of its own accord.

Monopolies of the second kind may sometimes attract stock towards the particular trade in which they are established, and sometimes repel it from that trade according to different circumstances. In poor countries they naturally attract towards that trade more stock than would otherwise go to it. In rich countries they naturally repel from it a good deal of stock which would otherwise go to it.

Such poor countries as Sweden and Denmark, for example, would probably have never sent a single ship to the East Indies, had not the trade been subjected to an exclusive company. The establishment of such a company necessarily encourages adventurers. Their monopoly secures them against all competitors in the home market, and they have the same chance for foreign markets with the traders of other nations. Their monopoly shows them the certainty of a great profit upon a considerable quantity of goods, and the chance of a considerable profit upon a great quantity. Without such extraordinary encouragement, the poor traders of such poor countries would probably never have thought of hazarding their small capitals in so very distant and uncertain an adventure as the trade to the East Indies must naturally have appeared to them.

Such a rich country as Holland, on the contrary, would probably, in the case of a free trade, send many more ships to the East Indies than it actually does. The limited stock of the Dutch East India company probably repels from that trade many great mercantile capitals which would otherwise go to it. The mercantile capital of Holland is so great that it is, as it were, continually overflowing, sometimes into the public funds of foreign countries, sometimes into loans to private traders and adventurers of foreign countries, sometimes into the most roundabout foreign trades of consumption, and sometimes into the carrying trade. All

[1] This is incorrectly stated The commerce between Portugal and India was at no time open to all the subjects of the former. With the exception of a short period, when it was placed in the hands of two exclusive companies, it was conducted under a regal monopoly, by means of a licensed number of register ships, nearly in the same way as the intercourse formerly carried on between Spain and her South American colonies. The internal trade of India was in a great measure left to individuals by the king; but it was made a job of by the governors, and other official personages, who sold licenses for carrying it

near employments being completely filled up, all the capital which can be placed in them with any tolerable profit being already placed in them, the capital of Holland necessarily flows towards the most distant employments. The trade to the East Indies, if it were altogether free, would probably absorb the greater part of this redundant capital. The East Indies offer a market both for the manufactures of Europe and for the gold and silver, as well as for several other productions of America, greater and more extensive than both Europe and America put together.

Every derangement of the natural distribution of stock is necessarily hurtful to the society in which it takes place; whether it be by repelling from a particular trade the stock which would otherwise go to it, or by attracting towards a particular trade that which would not otherwise come to it. If, without any exclusive company, the trade of Holland to the East Indies would be greater than it actually is, that country must suffer a considerable loss by part of its capital being excluded from the employment most convenient for that part. And in the same manner, if, without an exclusive company, the trade of Sweden and Denmark to the East Indies would be less than it actually is, or, what perhaps is more probable, would not exist at all, those two countries must likewise suffer a considerable loss by part of their capital being drawn into an employment which must be more or less unsuitable to their present circumstances. Better for them, perhaps, in their present circumstances, to buy East India goods of other nations, even though they should pay somewhat dearer, than to turn so great a part of their small capital to so very distant a trade, in which the returns are so very slow, in which that capital can maintain so small a quantity of productive labour at home, where productive labour is so much wanted, where so little is done, and where so much is to do.

Though without an exclusive company, therefore, a particular country should not be able to carry on any direct trade to the East Indies, it will not from thence follow that such a company ought to be established there, but only that such a country ought not in these circumstances to trade directly to the East Indies. That such companies are not in general necessary for carrying on the East India trade, is sufficiently demonstrated by the experience of the Portuguese, who enjoyed almost the whole of it for more than a century together, without any exclusive company.[1]

No private merchant, it has been said, could well have capital sufficient to maintain factors and agents in the different ports of the East Indies, in order to provide goods for the ships which he might occasionally send thither; and yet, unless he was able to do this, the difficulty of finding a cargo might frequently make his ships lose the season for returning, and the expense of so long a delay would not only eat up the whole profit of the adventure, but frequently occasion a very considerable loss. This argument, however, if it proved any thing at all, would prove that no one great branch of trade could be carried on without an exclusive company, which is contrary to the experience of all nations. There is no great branch of trade in which the capital of any one private merchant is sufficient for carrying on all the subordinate branches which must be carried on, in order to carry on the principal one. But when a nation is ripe for any great branch of trade, some merchants naturally turn their capitals towards the principal, and some towards the subordinate, branches of it; and though all the different branches of it are in this manner carried on, yet it very seldom happens that they are all carried on by the capital of one private merchant. If a nation, therefore, is ripe for the East India trade, a certain portion of its capital will naturally divide itself among all the different branches of that trade. Some of its merchants will find it for their interest to reside in the East Indies, and to employ their capitals there in providing goods for the ships which are to be sent out by other merchants who reside in Europe. The settlements which different European nations have obtained in the East Indies, if they were taken from the exclusive companies to which they at present belong, and put under the immediate protection of the sovereign, would render this residence both safe and easy, at least to the merchants of the particular nations to whom those settlements belong. If at any particular time that part of the capital of any country which of its own accord tended and inclined, if I may say so, towards the East India trade, was not sufficient for carrying on all those different branches of it, it would be a proof that, at that particular time, that country was not ripe for that trade, and that it would do better to buy for some time, even at a higher price, from other European nations, the East India goods it had occasion for, than to import them itself directly from the East Indies. What it might lose by the high price of those goods could seldom be equal to the loss which it would sustain by the distraction of a large portion of its capital from other employments more necessary, or more useful, or more suitable to its circumstances and situation, than a direct trade to the East Indies.

Though the Europeans possess many considerable settlements both upon the coast of Africa and in the East Indies, they have not yet established in either of those countries such numerous and thriving colonies as those in the islands and continent of America. Africa, however, as well as several of the countries comprehended under the general name of the East Indies, are inhabited by barbarous nations. But those nations were by no means so weak and defenceless as the miserable and helpless Americans; and, in proportion to the natural fertility of the countries which they inhabited, they were besides much more populous. The most barbarous nations either of Africa or of the East Indies were shepherds; even the Hottentots were so. But the natives of every part of America, except Mexico and Peru, were only hunters, and the difference is very great between the number of shepherds and that of hunters whom the same extent of equally fertile territory can maintain. In Africa and the East Indies, therefore, it was more difficult to displace the natives, and to extend the European plantations over the greater part of the lands of the original inhabitants. The genius of exclusive companies, besides, is unfavourable, it has already been observed, to the growth of new colonies, and has probably been the principal cause of the little progress which they have made in the East Indies. The Portuguese carried on the trade both to Africa and the East Indies without any exclusive companies, and their settlements at Congo, Angola, and Benguela on the coast of Africa, and at Goa in the East Indies, though much depressed by superstition and every sort of bad government, yet bear some faint resemblance to the colonies of America, and are partly inhabited by Portuguese who have been established there for several generations.[1] The Dutch settlements at the Cape of Good Hope and at Batavia are at present the most considerable colonies which the Europeans have established either in Africa or in the East Indies, and both these settlements are peculiarly fortunate in their situations. The Cape of Good Hope was inhabited by a race of people almost as barbarous and quite as incapable of defending themselves as the natives of America. It is besides the half-way house, if one may say so, between Europe and the East Indies, at which almost every European ship makes some stay both in going and returning. The

on to any adventurer, however worthless, who could afford to purchase them. See M'Pherson's *Commerce with India*, p. 348, and Mickle's *Lusiad*, vol. i. p. 234.

[1] See previous note.

supplying of those ships with every sort of fresh provisions, with fruit and sometimes with wine, affords alone a very extensive market for the surplus produce of the colonists. What the Cape of Good Hope is between Europe and every part of the East Indies, Batavia is between the principal countries of the East Indies. It lies upon the most frequented road from Indostan to China and Japan, and is nearly about midway upon that road. Almost all the ships, too, that sail between Europe and China touch at Batavia; and it is, over and above all this, the centre and principal mart of what is called the country trade of the East Indies; not only of that part of it which is carried on by Europeans, but of that which is carried on by the native Indians; and vessels navigated by the inhabitants of China and Japan, of Tonquin, Malacca, Cochin-China, and the island of Celebes, are frequently to be seen in its port. Such advantageous situations have enabled those two colonies to surmount all the obstacles which the oppressive genius of an exclusive company may have occasionally opposed to their growth. They have enabled Batavia to surmount the additional disadvantage of perhaps the most unwholesome climate in the world.

The English and Dutch companies, though they have established no considerable colonies, except the two above mentioned, have both made considerable conquests in the East Indies. But in the manner in which they both govern their new subjects, the natural genius of an exclusive company has shown itself most distinctly. In the spice islands the Dutch are said to burn all the spiceries which a fertile season produces beyond what they expect to dispose of in Europe with such a profit as they think sufficient. In the islands where they have no settlements, they give a premium to those who collect the young blossoms and green leaves of the clove and nutmeg trees which naturally grow there, but which this savage policy has now, it is said, almost completely extirpated. Even in the islands where they have settlements they have very much reduced, it is said, the number of those trees. If the produce even of their own islands was much greater than what suited their market, the natives, they suspect, might find means to convey some part of it to other nations; and the best way, they imagine, to secure their own monopoly, is to take care that no more shall grow than what they themselves carry to market. By different arts of oppression they have reduced the population of several of the Moluccas nearly to the number which is sufficient to supply with fresh provisions and other necessaries of life their own insignificant garrisons, and such of their ships as occasionally come there for a cargo of spices. Under the government even of the Portuguese, however, those islands are said to have been tolerably well inhabited. The English company have not yet had time to establish in Bengal so perfectly destructive a system. The plan of their government, however, has had exactly the same tendency. It has not been uncommon, I am well assured, for the chief, that is, the first clerk of a factory, to order a peasant to plough up a rich field of poppies, and sow it with rice or some other grain. The pretence was, to prevent a scarcity of provisions; but the real reason to give the chief an opportunity of selling at a better price a large quantity of opium, which he happened then to have upon hand. Upon other occasions the order has been reversed; and a rich field of rice or other grain has been ploughed up, in order to make room for a plantation of poppies; when the chief foresaw that extraordinary profit was likely to be made by opium. The servants of the company have upon several occasions attempted to establish in their own favour the monopoly of some of the most important branches, not only of the foreign but of the inland trade of the country. Had they been allowed to go on, it is impossible that they should not at some time or another have attempted to restrain the production of the particular articles of which they had thus usurped the monopoly, not only to the quantity which they themselves could purchase, but to that which they could expect to sell with such a profit as they might think sufficient. In the course of a century or two, the policy of the English company would in this manner have probably proved as completely destructive as that of the Dutch.

Nothing, however, can be more directly contrary to the real interest of those companies, considered as the sovereigns of the countries which they have conquered, than this destructive plan. In almost all countries the revenue of the sovereign is drawn from that of the people. The greater the revenue of the people, therefore, the greater the annual produce of their land and labour, the more they can afford to the sovereign. It is his interest, therefore, to increase as much as possible that annual produce. But if this is the interest of every sovereign, it is peculiarly so of one whose revenue, like that of the sovereign of Bengal, arises chiefly from a land-rent. That rent must necessarily be in proportion to the quantity and value of the produce, and both the one and the other must depend upon the extent of the market. The quantity will always be suited with more or less exactness to the consumption of those who can afford to pay for it, and the price which they will pay will always be in proportion to the eagerness of their competition. It is the interest of such a sovereign,

therefore, to open the most extensive market for the produce of his country, to allow the most perfect freedom of commerce, in order to increase as much as possible the number and the competition of buyers; and upon this account to abolish, not only all monopolies, but all restraints upon the transportation of the home produce from one part of the country to another, upon its exportation to foreign countries, or upon the importation of goods of any kind for which it can be exchanged. He is in this manner most likely to increase both the quantity and value of that produce, and consequently of his own share of it, or of his own revenue.

But a company of merchants are, it seems, incapable of considering themselves as sovereigns, even after they have become such. Trade, or buying in order to sell again, they still consider as their principal business, and by a strange absurdity, regard the character of the sovereign as but an appendix to that of the merchant, as something which ought to be made subservient to it, or by means of which they may be enabled to buy cheaper in India, and thereby to sell with a larger profit in Europe. They endeavour for this purpose to keep out as much as possible all competitors from the market of the countries which are subject to their government, and consequently to reduce at least some part of the surplus produce of those countries to what is barely sufficient for supplying their own demand, or to what they can expect to sell in Europe with such a profit as they may think reasonable. Their mercantile habits draw them in this manner, almost necessarily, though perhaps insensibly, to prefer upon all ordinary occasions the little and transitory profit of the monopolist to the great and permanent revenue of the sovereign, and would gradually lead them to treat the countries subject to their government nearly as the Dutch treat the Moluccas. It is the interest of the East India company, considered as sovereigns, that the European goods which are carried to their Indian dominions, should be sold there as cheap as possible; and that the Indian goods which are brought from thence should bring there as good a price, or should be sold there as dear as possible. But the reverse of this is their interest as merchants. As sovereigns, their interest is exactly the same with that of the country which they govern. As merchants their interest is directly opposite to that interest.

But if the genius of such a government, even as to what concerns its direction in Europe, is in this manner essentially and perhaps incurably faulty, that of its administration in India is still more so. That administration is necessarily composed of a council of merchants, — a profession no doubt extremely respectable, but which in no country in the world carries along with it that sort of authority which naturally overawes the people, and without force commands their willing obedience. Such a council can command obedience only by the military force with which they are accompanied, and their government is therefore necessarily military and despotical. Their proper business, however, is that of merchants. It is to sell, upon their masters' account, the European goods consigned to them, and to buy in return Indian goods for the European market. It is to sell the one as dear and to buy the other as cheap as possible, and consequently to exclude as much as possible all rivals from the particular market where they keep their shop. The genius of the administration, therefore, so far as concerns the trade of the company, is the same as that of the direction It tends to make government subservient to the interest of monopoly, and consequently to stunt the natural growth of some parts at least of the surplus produce of the country to what is barely sufficient for answering the demand of the company.

All the members of the administration, besides, trade more or less upon their own account, and it is in vain to prohibit them from doing so. Nothing can be more completely foolish than to expect that the clerks of a great counting-house at ten thousand miles distance, and consequently almost quite out of sight, should, upon a simple order from their masters, give up at once doing any sort of business upon their own account, abandon for ever all hopes of making a fortune, of which they have the means in their hands, and content themselves with the moderate salaries which those masters allow them, and which, moderate as they are, can seldom be augmented, being commonly as large as the real profits of the company trade can afford. In such circumstances, to prohibit the servants of the company from trading upon their own account can have scarce any other effect than to enable the superior servants, under pretence of executing their masters' order, to oppress such of the inferior ones as have had the misfortune to fall under their displeasure. The servants naturally endeavour to establish the same monopoly in favour of their own private trade as of the public trade of the company. If they are suffered to act as they could wish, they will establish this monopoly openly and directly, by fairly prohibiting all other people from trading in the articles in which they choose to deal; and this, perhaps, is the best and least oppressive way of establishing it. But if by an order from Europe they are prohibited from doing this, they will, notwithstanding, endeavour to establish a monopoly of the same kind, secretly and indirectly, in a way that is much more destructive to the country. They will employ the whole authority of

government, and pervert the administration of justice, in order to harass and ruin those who interfere with them in any branch of commerce which, by means of agents, either concealed, or at least not publicly avowed, they may choose to carry on. But the private trade of the servants will naturally extend to a much greater variety of articles than the public trade of the company. The public trade of the company extends no further than the trade with Europe, and comprehends a part only of the foreign trade of the country. But the private trade of the servants may extend to all the different branches both of its inland and foreign trade. The monopoly of the company can tend only to stunt the natural growth of that part of the surplus produce which, in the case of a free trade, would be exported to Europe. That of the servants tends to stunt the natural growth of every part of the produce in which they choose to deal, of what is destined for home consumption, as well as of what is destined for exportation; and consequently to degrade the cultivation of the whole country, and to reduce the number of its inhabitants. It tends to reduce the quantity of every sort of produce, even that of the necessaries of life, whenever the servants of the company choose to deal in them, to what those servants can both afford to buy and expect to sell with such a profit as pleases them.

From the nature of their situation too the servants must be more disposed to support with rigorous severity their own interest against that of the country which they govern than their masters can be to support theirs. The country belongs to their masters, who cannot avoid having some regard for the interest of what belongs to them. But it does not belong to the servants. The real interest of their masters, if they were capable of understanding it, is the same with that of the country [1], and it is from ignorance chiefly and the meanness of mercantile prejudice, that they ever oppress it. But the real interest of the servants is by no means the same with that of the country, and the most perfect information would not necessarily put an end to their oppressions. The regulations accordingly which have been sent out from Europe, though they have been frequently weak, have upon most occasions been well-meaning. More intelligence and perhaps less good meaning has sometimes appeared in those established by the servants in India. It is a very singular government in which every member of the administration wishes to get out of the country, and consequently to have done with the government, as soon as he can, and to whose interest, the day after he has left it and carried his whole fortune with him, it is perfectly indifferent though the whole country was swallowed up by an earthquake.

I mean not, however, by any thing which I have here said, to throw any odious imputation upon the general character of the servants of the East India company, and much less upon that of any particular persons. It is the system of government, the situation in which they are placed, that I mean to censure; not the character of those who have acted in it. They acted as their situation naturally directed, and they who have clamoured the loudest against them would, probably, not have acted better themselves. In war and negotiation, the councils of Madras and Calcutta have upon several occasions conducted themselves with a resolution and decisive wisdom which would have done honour to the senate of Rome in the best days of that republic. The members of those councils, however, had been bred to professions very different from war and politics. But their situation alone, without education, experience, or even example, seems to have formed in them all at once the great qualities which it required, and to have inspired them both with abilities and virtues which they themselves could not well know that they possessed. If upon some occasions, therefore, it has animated them to actions of magnanimity which could not well have been expected from them, we should not wonder if upon others it has prompted them to exploits of somewhat a different nature.

Such exclusive companies, therefore, are nuisances in every respect; always more or less inconvenient to the countries in which they are established, and destructive to those which have the misfortune to fall under their government. [2]

CHAP. VIII.

Conclusion of the Mercantile System.

THOUGH the encouragement of exportation and the discouragement of importation are the two great engines by which the mercantile system proposes to enrich every country, yet, with regard to some particular commodities, it seems to follow an opposite plan: to discourage exportation and to encourage importation. Its ultimate object, however, it pretends, is always the same, to enrich the country by an advantageous balance of trade.

[1] The interest of every proprietor of India stock, however, is by no means the same with that of the country in the government of which his vote gives him some influence. See Book V. Chap. I. Part 3d. (Note by the author.)

[2] For some farther observations on this subject, see the supplemental note on the Government, Revenue, and Trade of India.

It discourages the exportation of the materials of manufacture, and of the instruments of trade, in order to give our own workmen an advantage, and to enable them to undersell those of other nations in all foreign markets: and by restraining, in this manner, the exportation of a few commodities, of no great price, it proposes to occasion a much greater and more valuable exportation of others. It encourages the importation of the materials of manufacture, in order that our own people may be enabled to work them up more cheaply, and thereby prevent a greater and more valuable importation of the manufactured commodities. I do not observe, at least in our statute book, any encouragement given to the importation of the instruments of trade. When manufactures have advanced to a certain pitch of greatness, the fabrication of the instruments of trade becomes itself the object of a great number of very important manufactures. To give any particular encouragement to the importation of such instruments, would interfere too much with the interest of those manufactures. Such importation, therefore, instead of being encouraged has frequently been prohibited. Thus the importation of wool cards, except from Ireland, or when brought in as wreck or prize goods, was prohibited by the 3d of Edward IV.; which prohibition was renewed by the 39th of Elizabeth, and has been continued and rendered perpetual by subsequent laws.[1]

The importation of the materials of manufacture has sometimes been encouraged by an exemption from the duties to which other goods are subject, and sometimes by bounties.

The importation of sheep's wool from several different countries, of cotton wool from all countries, of undressed flax, of the greater part of dyeing drugs, of the greater part of undressed hides from Ireland or the British colonies, of seal skins from the British Greenland fishery, of pig and bar iron from the British colonies, as well as of several other materials of manufacture, has been encouraged by an exemption from all duties, if properly entered at the custom-house. The private interest of our merchants and manufacturers may, perhaps, have extorted from the legislature these exemptions, as well as the greater part of our other commercial regulations. They are, however, perfectly just and reasonable, and if, consistently with the necessities of the state, they could be extended to all the other materials of manufacture, the public would certainly be a gainer.

The avidity of our great manufacturers, however, has in some cases extended these exemptions a good deal beyond what can justly be considered as the rude materials of their work. By the 24 Geo. II. c. 46. a small duty of only one penny the pound was imposed upon the importation of foreign brown linen yarn, instead of much higher duties to which it had been subjected before, viz. of sixpence the pound upon sail yarn, of one shilling the pound upon all French and Dutch yarn, and of two pounds thirteen shillings and fourpence upon the hundred weight of all spruce or Muscovia yarn; but our manufacturers were not long satisfied with this reduction. By the 29th of the same king, c. 15. the same law which gave a bounty upon the exportation of British and Irish linen, of which the price did not exceed eighteenpence the yard, even this small duty upon the importation of brown linen yarn was taken away. In the different operations, however, which are necessary for the preparation of linen yarn, a good deal more industry is employed than in the subsequent operation of preparing linen cloth from linen yarn. To say nothing of the industry of the flax-growers and flax-dressers, three or four spinners, at least, are necessary, in order to keep one weaver in constant employment; and more than four-fifths of the whole quantity of labour, necessary for the preparation of linen cloth is employed in that of linen yarn; but our spinners are poor people—women commonly—scattered about in all different parts of the country, without support or protection. It is not by the sale of their work, but by that of the complete work of the weavers, that our great master manufacturers make their profits. As it is their interest to sell the complete manufacture as dear, so is it to buy the materials as cheap, as possible. By extorting from the legislature bounties upon the exportation of their own linen, high duties upon the importation of all foreign linen, and a total prohibition of the home consumption of some sorts of French linen, they endeavour to sell their own goods as dear as possible. By encouraging the importation of foreign linen yarn, and thereby bringing it into competition with that which is made by our own people, they endeavour to buy the work of the poor spinners as cheap as possible. They are as intent to keep down the wages of their own weavers, as the earnings of the poor spinners, and it is by no means for the benefit of the workmen, that they endeavour either to raise the price of the complete work, or to lower that of the rude materials. It is the industry which is carried on for the benefit of the rich and the powerful that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent, is too often either neglected or oppressed.

Both the bounty upon the exportation of linen, and the exemption from duty upon the

[1] This restriction no longer exists.

importation of foreign yarn, which were granted only for fifteen years, but continued by two different prolongations, expire with the end of the session of parliament which shall immediately follow the 24th of June, 1786.[1]

The encouragement given to the importation of the materials of manufacture by bounties has been principally confined to such as were imported from our American plantations.

The first bounties of this kind were those granted about the beginning of the present century, upon the importation of naval stores from America. Under this denomination, were comprehended timber fit for masts, yards, and bowsprits; hemp, tar, pitch, and turpentine. The bounty, however, of one pound the ton upon masting-timber, and that of six pounds the ton upon hemp, were extended to such as should be imported into England from Scotland. Both these bounties continued without any variation, at the same rate, till they were severally allowed to expire; that upon hemp on the 1st of January 1741, and that upon masting-timber at the end of the session of parliament immediately following the 24th June, 1781.

The bounties upon the importation of tar, pitch, and turpentine underwent, during their continuance, several alterations. Originally, that upon tar was four pounds the ton; that upon pitch the same; and that upon turpentine three pounds the ton. The bounty of four pounds the ton upon tar was afterwards confined to such as had been prepared in a particular manner; that upon other good, clean, and merchantable tar was reduced to two pounds four shillings the ton. The bounty upon pitch was likewise reduced to one pound; and that upon turpentine to one pound ten shillings the ton.

The second bounty upon the importation of any of the materials of manufacture, according to the order of time, was that granted by the 21 Geo. II. c. 30. upon the importation of indigo from the British plantations. When the plantation indigo was worth three-fourths of the price of the best French indigo, it was by this act entitled to a bounty of sixpence the pound. This bounty, which, like most others, was granted only for a limited time, was continued by several prolongations, but was reduced to fourpence the pound. It was allowed to expire with the end of the session of parliament which followed the 25th March, 1781.

The third bounty of this kind was that granted (much about the time that we were beginning sometimes to court and sometimes to quarrel with our American colonies) by the 4 Geo. III. c. 26. upon the importation of hemp, or undressed flax, from the British plantations. This bounty was granted for twenty-one years, from the 24th June 1764, to the 24th June 1785. For the first seven years it was to be at the rate of eight pounds the ton, for the second at six pounds, and for the third at four pounds. It was not extended to Scotland, of which the climate (although hemp is sometimes raised there in small quantities, and of an inferior quality) is not very fit for that produce. Such a bounty upon the importation of Scotch flax into England would have been too great a discouragement to the native produce of the southern part of the United Kingdom.

The fourth bounty of this kind was that granted by the 5 Geo. III. c. 45. upon the importation of wood from America. It was granted for nine years, from the 1st January 1766, to the 1st January 1775. During the first three years it was to be for every hundred and twenty good deals, at the rate of one pound; and for every load containing fifty cubic feet of other squared timber at the rate of twelve shillings. For the second three years it was, for deals, to be at the rate of fifteen shillings; and for other squared timber at the rate of eight shillings; and for the third three years it was, for deals, to be at the rate of ten shillings, and for other squared timber at the rate of five shillings.

The fifth bounty of this kind was that granted by the 9 Geo. III. c. 38. upon the importation of raw silk from the British plantations. It was granted for twenty-one years, from the 1st January 1770, to the 1st January 1791. For the first seven years it was to be at the rate of twenty-five pounds for every hundred pounds' value; for the second, at twenty pounds; and for the third, at fifteen pounds. The management of the silk-worm, and the preparation of silk, requires so much hand labour, and labour is so very dear in America, that even this great bounty, I have been informed, was not likely to produce any considerable effect.

The sixth bounty of this kind was that granted by the 11 Geo. III. c. 50. for the importation of pipe, hogshead, and barrel staves and heading from the British plantations. It was granted for nine years, from 1st January 1772, to the 1st January 1781. For the first three years it was for a certain quantity of each to be at the rate of six pounds; for the second three years at four pounds; and for the third three years at two pounds.

The seventh and last bounty of this kind, was that granted by the 19 Geo. III. c. 37. upon the importation of hemp from Ireland. It was granted in the same manner as that for the importation of hemp and undressed flax from America, for twenty-one years, from the 24th June 1779, to the 24th June 1800. This term is divided, likewise, into three periods of seven years each; and in each of those periods the rate of the Irish bounty is the same with that of the Ameri-

[1] All restrictions upon and regulations in regard to the trade in linens, linen yarn, &c., have been repealed.

can. It does not, however, like the American bounty, extend to the importation of undressed flax. It would have been too great a discouragement to the cultivation of that plant in Great Britain. When this last bounty was granted, the British and Irish legislatures were not in much better humour with one another than the British and American had been before. But this boon to Ireland, it is to be hoped, has been granted under more fortunate auspices than all those to America.

The same commodities upon which we thus gave bounties, when imported from America, were subjected to considerable duties when imported from any other country. The interest of our American colonies was regarded as the same with that of the mother country. Their wealth was considered as our wealth. Whatever money was sent out to them, it was said, came all back to us by the balance of trade, and we could never become a farthing the poorer, by any expense which we could lay out upon them. They were our own in every respect, and it was an expense laid out upon the improvement of our own property, and for the profitable employment of our own people. It is unnecessary, I apprehend, at present to say any thing further, in order to expose the folly of a system which fatal experience has now sufficiently exposed. Had our American colonies really been a part of Great Britain, those bounties might have been considered as bounties upon production, and would still have been liable to all the objections to which such bounties are liable, but to no other.

The exportation of the materials of manufacture is sometimes discouraged by absolute prohibitions, and sometimes by high duties.

Our woollen manufacturers have been more successful than any other class of workmen, in persuading the legislature that the prosperity of the nation depended upon the success and extension of their particular business. They have not only obtained a monopoly against the consumers by an absolute prohibition of importing woollen cloths from any foreign country, but they have likewise obtained another monopoly against the sheep farmers and growers of wool, by a similar prohibition of the exportation of live sheep and wool. The severity of many of the laws which have been enacted for the security of the revenue is very justly complained of, as imposing heavy penalties upon actions which, antecedent to the statutes that declared them to be crimes, had always been understood to be innocent. But the cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has extorted from the legislature, for the support of their own absurd and oppressive monopolies. Like the laws of Draco, these laws may be said to be all written in blood.

By the 8th of Elizabeth, c. 3. the exporter of sheep, lambs, or rams, was for the first offence to forfeit all his goods for ever, to suffer a year's imprisonment, and then to have his left hand cut off in a market town upon a market day, to be there nailed up; and for the second offence to be adjudged a felon, and to suffer death accordingly. To prevent the breed of our sheep from being propagated in foreign countries, seems to have been the object of this law. By the 13th and 14th of Charles II. c. 18. the exportation of wool was made felony, and the exporter subjected to the same penalties and forfeitures as a felon.

For the honour of the national humanity, it is to be hoped that neither of these statutes were ever executed. The first of them, however, so far as I know, has never been directly repealed, and Serjeant Hawkins seems to consider it as still in force. It may, however, perhaps, be considered as virtually repealed by the 12th of Charles II. c. 32. s. 3., which, without expressly taking away the penalties imposed by former statutes, imposes a new penalty, viz. that of twenty shillings for every sheep exported, or attempted to be exported, together with the forfeiture of the sheep and of the owner's share of the ship. The second of them was expressly repealed by the 7th and 8th of William III. c. 28. s. 4., by which it is declared that, "Whereas the statute of the 13th and 14th of King Charles II. made against the exportation of wool, among other things in the said act mentioned, doth enact the same to be deemed felony; by the severity of which penalty the prosecution of offenders hath not been so effectually put in execution: Be it therefore enacted, by the authority foresaid, that so much of the said act which relates to the making the said offence felony be repealed and made void."

The penalties, however, which are either imposed by this milder statute, or which, though imposed by former statutes, are not repealed by this one, are still sufficiently severe. Besides the forfeiture of the goods, the exporter incurs the penalty of three shillings for every pound weight of wool either exported or attempted to be exported, that is, about four or five times the value. Any merchant or other person convicted of this offence is disabled from requiring any debt or account belonging to him from any factor or other person. Let his fortune be what it will, whether he is or is not able to pay those heavy penalties, the law means to ruin him completely. But as the morals of the great body of the people are not yet so corrupt as those of the contrivers of this statute, I have not heard that any advantage has ever been taken of this clause. If the person convicted of this offence is not able to pay the penalties within three months after judgment, he is to be transported for seven years, and if he returns before the expiration of that term, he is liable to the pains of felony, without benefit of clergy. The owner of the ship knowing this offence forfeits all his interest in the ship and fur-

niture. The master and mariners knowing this offence forfeit all their goods and chattels, and suffer three months' imprisonment. By a subsequent statute the master suffers six months' imprisonment.

In order to prevent exportation, the whole inland commerce of wool is laid under very burdensome and oppressive restrictions. It cannot be packed in any box, barrel, cask, case, chest, or any other package, but only in packs of leather or pack-cloth, on which must be marked on the outside the words *wool* or *yarn*, in large letters not less than three inches long, on pain of forfeiting the same and the package, and three shillings for every pound weight, to be paid by the owner or packer. It cannot be loaden on any horse or cart, or carried by land within five miles of the coast, but between sun-rising and sun-setting, on pain of forfeiting the same, the horses and carriages. The hundred next adjoining to the sea-coast, out of or through which the wool is carried or exported, forfeits twenty pounds, if the wool is under the value of ten pounds; and if of greater value, then treble that value, together with treble costs, to be sued for within the year; the execution to be against any two of the inhabitants, whom the sessions must reimburse, by an assessment on the other inhabitants, as in the cases of robbery. And if any person compounds with the hundred for less than this penalty, he is to be imprisoned for five years; and any other person may prosecute. These regulations take place through the whole kingdom.

But in the particular counties of Kent and Sussex the restrictions are still more troublesome. Every owner of wool within ten miles of the sea-coast must give an account in writing, three days after shearing, to the next officer of the customs, of the number of his fleeces, and of the places where they are lodged; and before he removes any part of them he must give the like notice of the number and weight of the fleeces, and of the name and abode of the person to whom they are sold, and of the place to which it is intended they should be carried. No person within fifteen miles of the sea, in the said counties, can buy any wool, before he enters into bond to the king, that no part of the wool which he shall so buy shall be sold by him to any other person within fifteen miles of the sea. If any wool is found carrying towards the sea-side in the said counties, unless it has been entered and security given as aforesaid, it is forfeited, and the offender also forfeits three shillings for every pound weight. If any person lays any wool, not entered as aforesaid, within fifteen miles of the sea, it must be seized and forfeited; and if, after such seizure, any person shall claim the same, he must give security to the Exchequer, that if he is cast upon trial he shall pay treble costs, besides all other penalties.

When such restrictions are imposed upon the inland trade, the coasting trade, we may believe, cannot be left very free. Every owner of wool who carrieth or causeth to be carried any wool to any port or place on the sea-coast, in order to be from thence transported by sea to any other place or port on the coast, must first cause an entry thereof to be made at the port from whence it is intended to be conveyed, containing the weight, marks, and number of the packages before he brings the same within five miles of that port, on pain of forfeiting the same; and also the horses, carts, and other carriages; and also of suffering and forfeiting, as by the other laws in force against the exportation of wool. This law, however, (1 Will. III. c. 32.) is so very indulgent as to declare, that "this shall not hinder any person from carrying his wool home from the place of shearing, though it be within five miles of the sea, provided that in ten days after shearing, and before he remove the wool, he do under his hand certify to the next officer of the customs the true number of fleeces, and where it is housed, and do not remove the same, without certifying to such officer, under his hand, his intention so to do, three days before." Bond must be given that the wool to be carried coast-ways is to be landed at the particular port for which it is entered outwards; and if any part of it is landed without the presence of an officer, not only the forfeiture of the wool is incurred as in other goods, but the usual additional penalty of three shillings for every pound weight is likewise incurred.[1]

Our woollen manufacturers, in order to justify their demand of such extraordinary restrictions and regulations, confidently asserted, that English wool was of a peculiar quality, superior to that of any other country; that the wool of other countries could not, without some mixture of it, be wrought up into any tolerable manufacture; that fine cloth could not be made without it; that England, therefore, if the exportation of it could be totally prevented, could monopolise to herself almost the whole woollen trade of the world; and thus, having no rivals, could sell at what price she pleased, and in a short time acquire the most incredible degree of wealth by the most advantageous balance of trade. This doctrine, like most other doctrines which are confidently asserted by any considerable number of people, was, and still continues to be, most implicitly believed by a much greater number; by almost all those who are either unacquainted with the woollen trade, or who

[1] The influence of the oppressive regulations noticed in the text has, we believe, been much exaggerated. But, however that may be, they are happily now only matters of history. The importation and exportation of wool have for some years been quite free. See *ante*, p. 107.

have not made particular inquiries. It is, however, so perfectly false, that English wool is in any respect necessary for the making of fine cloth, that it is altogether unfit for it. Fine cloth is made altogether of Spanish wool. English wool cannot be even so mixed with Spanish wool as to enter into the composition without spoiling and degrading, in some degree, the fabric of the cloth.

It has been shown in the foregoing part of this work, that the effect of these regulations has been to depress the price of English wool, not only below what it naturally would be in the present times, but very much below what it actually was in the time of Edward III. The price of Scots wool, when in consequence of the union it became subject to the same regulations, is said to have fallen about one half. It is observed by the very accurate and intelligent author of the Memoirs of Wool,[1] the Reverend Mr. John Smith, that the price of the best English wool in England is generally below what wool of a very inferior quality commonly sells for in the market of Amsterdam. To depress the price of this commodity below what may be called its natural and proper price, was the avowed purpose of those regulations; and there seems to be no doubt of their having produced the effect that was expected from them.

This reduction of price, it may perhaps be thought, by discouraging the growing of wool, must have reduced very much the annual produce of that commodity, though not below what it formerly was, yet below what, in the present state of things, it probably would have been, had it, in consequence of an open and free market, been allowed to rise to the natural and proper price. I am, however, disposed to believe, that the quantity of the annual produce cannot have been much, though it may perhaps have been a little, affected by these regulations. The growing of wool is not the chief purpose for which the sheep farmer employs his industry and stock. He expects his profit, not so much from the price of the fleece, as from that of the carcass; and the average or ordinary price of the latter must even, in many cases, make up to him whatever deficiency there may be in the average or ordinary price of the former. It has been observed, in the foregoing part of this work, that "Whatever regulations tend to sink the price, either of wool or of raw hides, below what it naturally would be, must, in an improved and cultivated country, have some tendency to raise the price of butcher's meat. The price both of the great and small cattle which are fed on improved and cultivated land, must be sufficient to pay the rent which the landlord, and the profit which the farmer, has reason to expect from improved and cultivated land. If it is not, they will soon cease to feed them. Whatever part of this price, therefore, is not paid by the wool and the hide, must be paid by the carcass. The less there is paid for the one, the more must be paid for the other. In what manner this price is to be divided upon the different parts of the beast is indifferent to the landlords and farmers, provided it is all paid to them. In an improved and cultivated country, therefore, their interest as landlords and farmers cannot be much affected by such regulations, though their interest, as consumers, may, by the rise in the price of provisions." According to this reasoning, therefore, this degradation in the price of wool is not likely, in an improved and cultivated country, to occasion any diminution in the annual produce of that commodity; except so far as, by raising the price of mutton, it may somewhat diminish the demand for, and consequently the production of, that particular species of butcher's meat. Its effect, however, even in this way, it is probable, is not very considerable.

But though its effect upon the quantity of the annual produce may not have been very considerable, its effect upon the quality, it may perhaps be thought, must necessarily have been very great. The degradation in the quality of English wool, if not below what it was in former times, yet below what it naturally would have been in the present state of improvement and cultivation, must have been, it may perhaps be supposed, very nearly in proportion to the degradation of price. As the quality depends upon the breed, upon the pasture, and upon the management and cleanliness of the sheep, during the whole progress of the growth of the fleece, the attention to these circumstances, it may naturally enough be imagined, can never be greater than in proportion to the recompense which the price of the fleece is likely to make for the labour and expense which that attention requires. It happens, however, that the goodness of the fleece depends, in a great measure, upon the health, growth, and bulk of the animal; the same attention which is necessary for the improvement of the carcass, is, in some respects, sufficient for that of the fleece. Notwithstanding the degradation of price, English wool is said to have been improved considerably during the course even of the present century. The improvement might perhaps have been greater if the price had been better; but the lowness of price, though it may have obstructed, yet certainly it has not altogether prevented, that improvement.

The violence of these regulations, therefore, seems to have affected neither the quan-

[1] This elaborate and excellent work throws a great deal of light, not merely on the history of the woollen manufacture, but on that of the domestic policy of the country. It was first published in 1747, in 2 vols. 8vo, and again in 1757, in 2 vols. 4to.

tity nor the quality of the annual produce of wool so much as it might have been expected to do; (though I think it probable that it may have affected the latter a good deal more than the former;) and the interest of the growers of wool, though it must have been hurt in some degree, seems, upon the whole, to have been much less hurt than could well have been imagined.[1]

These considerations, however, will not justify the absolute prohibition of the exportation of wool. But they will fully justify the imposition of a considerable tax upon that exportation.

To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects. But the prohibition certainly hurts, in some degree, the interest of the growers of wool, for no other purpose but to promote that of the manufacturers.

Every different order of citizens is bound to contribute to the support of the sovereign or commonwealth. A tax of five, or even of ten shillings upon the exportation of every tod of wool, would produce a very considerable revenue to the sovereign. It would hurt the interest of the growers somewhat less than the prohibition, because it would not probably lower the price of wool quite so much. It would afford a sufficient advantage to the manufacturer, because, though he might not buy his wool altogether so cheap as under the prohibition, he would still buy it, at least, five or ten shillings cheaper than any foreign manufacturer could buy it, besides saving the freight and insurance, which the other would be obliged to pay. It is scarce possible to devise a tax which could produce any considerable revenue to the sovereign, and at the same time occasion so little inconvenience to any body.

The prohibition, notwithstanding all the penalties which guard it, does not prevent the exportation of wool. It is exported, it is well known, in great quantities. The great difference between the price in the home and that in the foreign market, presents such a temptation to smuggling, that all the rigour of the law cannot prevent it. This illegal exportation is advantageous to nobody but the smuggler. A legal exportation subject to a tax, by affording a revenue to the sovereign, and thereby saving the imposition of some other, perhaps, more burdensome and inconvenient taxes, might prove advantageous to all the different subjects of the state.

The exportation of fuller's earth, or fuller's clay, supposed to be necessary for preparing and cleansing the woollen manufactures, has been subjected to nearly the same penalties as the exportation of wool. Even tobacco-pipe clay, though acknowledged to be different from fuller's clay, yet, on account of their resemblance, and because fuller's clay might sometimes be exported as tobacco-pipe clay; has been laid under the same prohibitions and penalties.[2]

By the 13th and 14th of Charles II. c. 7. the exportation, not only of raw hides, but of tanned leather, except in the shape of boots, shoes, or slippers, was prohibited; and the law gave a monopoly to our bootmakers and shoemakers, not only against our graziers, but against our tanners. By subsequent statutes our tanners have got themselves exempted from this monopoly, upon paying a small tax of only one shilling on the hundred-weight of tanned leather, weighing one hundred and twelve pounds. They have obtained likewise the drawback of two-thirds of the excise duties imposed upon their commodity, even when exported without further manufacture. All manufactures of leather may be exported duty-free; and the exporter is besides entitled to the drawback of the whole duties of excise.[3] Our graziers still continue subject to the old monopoly. Graziers separated from one another and dispersed through all the different corners of the country, cannot, without great difficulty, combine together for the purpose either of imposing monopolies upon their fellow-citizens, or of exempting themselves from such as may have been imposed upon them by other people. Manufacturers of all kinds, collected together in numerous bodies in all great cities, easily can. Even the horns of cattle are prohibited to be exported;[4] and the two insignificant trades of the horner and comb-maker enjoy, in this respect, a monopoly against the graziers.

Restraints, either by prohibitions or by taxes upon the exportation of goods which are partially, but not completely manufactured, are not peculiar to the manufacture of leather. As long as any thing remains to be done, in order to fit any commodity for immediate use and consumption, our manufacturers think that they themselves ought to have the doing of it. Woollen yarn and worsted are prohibited to be exported under the same penalties as wool.[5] Even white clothes are subject to a duty upon exportation, and our dyers have so far obtained a monopoly against our clothiers. Our clothiers would probably have been able to defend themselves against it, but it happens that the greater

[1] For some observations on this subject, see p. 107. note.

[2] These restrictions no longer exist. Fuller's earth and tobacco-pipe clay may be exported free of any duty.

[3] By the 6th Geo. IV. cap. 111., a duty of one-half per cent. *ad valorem* was charged on the exportation of all sorts of manufactures of leather, but is now repealed.

[4] This prohibition no longer exists.

[5] This restriction has been repealed. The duty on the exportation of woollen yarn and worsted is also repealed.

part of our principal clothiers are themselves likewise dyers. Watch-cases, clock-cases, and dial-plates for clocks and watches, have been prohibited to be exported. Our clockmakers and watchmakers are, it seems, unwilling that the price of this sort of workmanship should be raised upon them by the competition of foreigners.[1]

By some old statutes of Edward III., Henry VIII., and Edward VI., the exportation of all metals was prohibited. Lead and tin were alone excepted; probably on account of the great abundance of those metals; in the exportation of which, a considerable part of the trade of the kingdom in those days consisted. For the encouragement of the mining trade, the 5th of William and Mary, c. 17., exempted from this prohibition, iron, copper, and mundic metal made from British ore. The exportation of all sorts of copper bars, foreign as well as British, was afterwards permitted by the 9th and 10th of William III. c. 26. The exportation of unmanufactured brass, of what is called gun-metal, bell-metal, and shroff-metal, still continues to be prohibited.[2] Brass manufactures of all sorts may be exported duty-free.

The exportation of the materials of manufacture, where it is not altogether prohibited, is in many cases subjected to considerable duties.

By the 8 Geo. I. c. 15., the exportation of all goods, the produce or manufacture of Great Britain, upon which any duties had been imposed by former statutes, was rendered duty-free. The following goods, however, were excepted: allum, lead, lead ore, tin, tanned leather, copperas, coals, wool cards, white woollen cloths, lapis calaminaris, skins of all sorts, glue, coney hair or wool, hares' wool, hair of all sorts, horses, and litharge of lead. If you except horses, all these are either materials of manufacture, or incomplete manufactures (which may be considered as materials for still further manufacture), or instruments of trade. This statute leaves them subject to all the old duties which had ever been imposed upon them, the old subsidy and one per cent. outwards.[3]

By the same statute a great number of foreign drugs for dyers' use are exempted from all duties upon importation. Each of them, however, is afterwards subjected to a certain duty, not indeed a very heavy one, upon exportation. Our dyers, it seems, while they thought it for their interest to encourage the importation of those drugs by an exemption from all duties, thought it likewise for their interest to throw some small discouragement upon their exportation. The avidity, however, which suggested this notable piece of mercantile ingenuity, most probably disappointed itself of its object. It necessarily taught the importers to be more careful than they might otherwise have been, that their importation should not exceed what was necessary for the supply of the home market. The home market was at all times likely to be more scantily supplied; the commodities were at all times likely to be somewhat dearer there than they would have been had the exportation been rendered as free as the importation.

By the above-mentioned statute, gum senegal, or gum arabic, being among the enumerated dyeing drugs, might be imported duty-free. They were subjected indeed to a small poundage duty, amounting only to threepence in the hundred-weight upon their re-exportation. France enjoyed at that time an exclusive trade to the country most productive of those drugs, that which lies in the neighbourhood of the Senegal; and the British market could not easily be supplied by the immediate importation of them from the place of growth. By the 25 Geo. II., therefore, gum senegal was allowed to be imported (contrary to the general dispositions of the act of navigation) from any part of Europe. As the law, however, did not mean to encourage this species of trade, so contrary to the general principles of the mercantile policy of England, it imposed a duty of ten shillings the hundred-weight upon such importation, and no part of this duty was to be afterwards drawn back upon its exportation. The successful war which began in 1755 gave Great Britain the same exclusive trade to those countries which France had enjoyed before. Our manufacturers, as soon as the peace was made, endeavoured to avail themselves of this advantage, and to establish a monopoly in their own favour, both against the growers and against the importers of this commodity. By the 5th of Geo. III. therefore, c. 37., the exportation of gum senegal from his majesty's dominions in Africa was confined to Great Britain, and was subjected to all the same restrictions, regulations, forfeitures, and penalties, as that of the enumerated commodities of the British colonies in America and the West Indies. Its importation, indeed, was subjected to a small duty of sixpence the hundred-weight, but its re-exportation was subjected to the enormous duty of one pound ten shillings the hundred-weight.[4] It was the intention of our manu-

[1] The prohibition of the importation of clock-cases, watch-cases, &c., no longer exists.

[2] This prohibition has been repealed.

[3] The duties on these articles have been since *wholly repealed*. See Tariff in *Commercial Dictionary*.

[4] The duties and prohibitions referred to under these heads, with many more of the same description, have all been repealed. And if we except coal, their repeal may be regarded as advantageous. We believe, however, that it would have been good policy to have continued the export duty of 5*s.* a ton on coal, or rather, to have increased it to 7*s.* 6*d.* a ton; and we have elsewhere stated the grounds

facturers that the whole produce of those countries should be imported into Great Britain; and in order that they themselves might be enabled to buy it at their own price, that no part of it should be exported again, but at such an expense as would sufficiently discourage that exportation. Their avidity, however, upon this, as well as upon many other occasions, disappointed itself of its object. This enormous duty presented such a temptation to smuggling, that great quantities of this commodity were clandestinely exported, probably to all the manufacturing countries of Europe, but particularly to Holland, not only from Great Britain, but from Africa. Upon this account, by the 14th of Geo. III. c. 10., this duty upon exportation was reduced to five shillings the hundredweight.

In the book of rates, according to which the old subsidy was levied, beaver skins were estimated at six shillings and eight-pence a-piece, and the different subsidies and imposts, which before the year 1722 had been laid upon their importation, amounted to one-fifth part of the rate, or to sixteen-pence upon each skin; all of which, except half the old subsidy, amounting only to twopence, was drawn back upon exportation. This duty upon the importation of so important a material of manufacture had been thought too high; and, in the year 1722, the rate was reduced to two shillings and sixpence, which reduced the duty upon importation to sixpence, and of this only one half was to be drawn back upon exportation. The same successful war put the country most productive of beaver under the dominion of Great Britain, and beaver skins being among the enumerated commodities, their exportation from America was consequently confined to the market of Great Britain. Our manufacturers soon bethought themselves of the advantage which they might make of this circumstance, and, in the year 1764, the duty upon the importation of beaver-skin was reduced to one penny, but the duty upon exportation was raised to sevenpence each skin, without any drawback of the duty upon importation. By the same law a duty of eighteen-pence the pound was imposed upon the exportation of beaver-wool or wombs, without making any alteration in the duty upon the importation of that commodity, which, when imported by British and in British shipping, amounted at that time to between fourpence and fivepence the piece.[1]

Coals may be considered both as a material of manufacture and as an instrument of trade. Heavy duties, accordingly, have been imposed upon their exportation, amounting at present (1783) to more than five shillings the ton, or to more than fifteen shillings the chaldron, Newcastle measure; which is in most cases more than the original value of the commodity at the coal pit, or even at the shipping port for exportation.[2]

The exportation, however, of the instruments of trade, properly so called, is commonly restrained, not by high duties, but by absolute prohibitions. Thus by the 7th and 8th of William III. c. 20. s. 8. the exportation of frames or engines for knitting gloves or stockings is prohibited under the penalty, not only of the forfeiture of such frames or engines so exported, or attempted to be exported, but of forty pounds, one half to the king, the other to the person who shall inform or sue for the same. In the same manner, by the 14th of Geo. III. c. 71. the exportation to foreign parts, of any utensils made use of in the cotton, linen, woollen, and silk manufactures, is prohibited under the penalty, not only of the forfeiture of such utensils, but of two hundred pounds, to be paid by the person who shall offend in this manner, and likewise of two hundred pounds to be paid by the master of the ship who shall knowingly suffer such utensils to be loaded on board his ship.[3]

When such heavy penalties were imposed upon the exportation of the dead instruments of trade, it could not well be expected that the living instrument, the artificer, should be allowed to go free. Accordingly, by the 5th of Geo. I. c. 27. the person who shall be convicted of enticing any artificer of or in any of the manufactures of Great Britain, to go into any foreign parts, in order to practise or teach his trade, is liable for the first offence to be fined in any sum not exceeding one hundred pounds, and to three months' imprisonment, and until the fine shall be paid; and for the second offence, to be fined in any sum at the discretion of the court, and to imprisonment for twelve months, and until the fine shall be paid. By the 23d of Geo. II. c. 13. this penalty is increased for the first offence to five hundred pounds for every artificer so enticed, and to twelve months' imprisonment, and until the fine shall be paid; and for the second offence, to one thousand pounds, and to two years' imprisonment, and until the fine shall be paid.

By the former of those two statutes, upon proof that any person has been enticing any artificer, or that any artificer has promised or contracted to go into foreign parts for the purposes aforesaid, such artificer may be obliged to give security at the discretion of the court, that he shall not go beyond the seas, and may be committed to prison until he give such security.

(Treatise on Taxation, &c., 3rd ed., p. 206, &c.) on which we have come to this conclusion. Next to the opium of India and the guano of Peru, the coal of England appears to be peculiarly well fitted to be charged with a duty on exportation. Besides yielding a revenue, it would be in other respects advantageous.

[1], [2], [3] See Note 4 on previous page.

If any artificer has gone beyond the seas, and is exercising or teaching his trade in any foreign country, upon warning being given to him by any of his majesty's ministers or consuls abroad, or by one of his majesty's secretaries of state for the time being, if he does not, within six months after such warning, return into this realm, and from thenceforth abide and inhabit continually within the same, he is from thenceforth declared incapable of taking any legacy devised to him within this kingdom, or of being executor or administrator to any person, or of taking any lands within this kingdom by descent, devise, or purchase. He likewise forfeits to the king all his lands, goods, and chattels, is declared an alien in every respect, and is put out of the king's protection.

It is unnecessary, I imagine, to observe how contrary such regulations are to the boasted liberty of the subject, of which we affect to be so very jealous; but which, in this case, is so plainly sacrificed to the futile interests of our merchants and manufacturers.[1]

The laudable motive of all these regulations is to extend our own manufactures, not by their own improvement, but by the depression of those of all our neighbours, and by putting an end, as much as possible, to the troublesome competition of such odious and disagreeable rivals. Our master manufacturers think it reasonable that they themselves should have the monopoly of the ingenuity of all their countrymen. Though by restraining, in some trades, the number of apprentices which can be employed at one time, and by imposing the necessity of a long apprenticeship in all trades, they endeavour, all of them, to confine the knowledge of their respective employments to as small a number as possible; they are unwilling, however, that any part of this small number should go abroad to instruct foreigners.

Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

In the restraints upon the importation of all foreign commodities which can come into competition with those of our own growth or manufacture, the interest of the home consumer is evidently sacrificed to that of the producer. It is altogether for the benefit of the latter, that the former is obliged to pay that enhancement of price which this monopoly almost always occasions.

It is altogether for the benefit of the producer that bounties are granted upon the exportation of some of his productions. The home consumer is obliged to pay, first, the tax which is necessary for paying the bounty, and secondly, the still greater tax which necessarily arises from the enhancement of the price of the commodity in the home market.

By the famous treaty of commerce with Portugal, the consumer is prevented by high duties from purchasing of a neighbouring country a commodity which our own climate does not produce, but is obliged to purchase it of a distant country, though it is acknowledged that the commodity of the distant country is of a worse quality than that of the near one. The home consumer is obliged to submit to this inconveniency, in order that the producer may import into the distant country some of his productions upon more advantageous terms than he would otherwise have been allowed to do. The consumer, too, is obliged to pay whatever enhancement in the price of those very productions this forced exportation may occasion in the home market.

But in the system of laws which has been established for the management of our American and West Indian colonies, the interest of the home consumer has been sacrificed to that of the producer with a more extravagant profusion than in all our other commercial regulations. A great empire has been established for the sole purpose of raising up a nation of customers, who should be obliged to buy from the shops of our different producers all the goods with which these could supply them. For the sake of that little enhancement of price which this monopoly might afford our producers, the home consumers have been burdened with the whole expense of maintaining and defending that empire. For this purpose, and for this purpose only, in the two last wars, more than two hundred millions have been spent, and a new debt of more than a hundred and seventy millions has been contracted over and above all that had been expended for the same purpose in former wars. The interest of this debt alone is not only greater than the whole extraordinary profit which it ever could be pretended was made by the monopoly of the colony trade, but than the whole value of that trade, or than the whole value of the goods, which at an average have been annually exported to the colonies.

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected; but the producers, whose

[1] The restrictions on the emigration of artizans were repealed in 1824.

interest has been so carefully attended to; and among this latter class, our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to; and the interest, not so much of the consumers as that of some other sets of producers, has been sacrificed to it.[1]

CHAP. IX.

Of the Agricultural Systems, or of those Systems of Political Economy which represent the Produce of Land as either the sole or the principal Source of the Revenue and Wealth of every Country.

THE agricultural systems of political economy will not require so long an explanation as that which I have thought it necessary to bestow upon the mercantile or commercial system.

That system which represents the produce of land as the sole source of the revenue and wealth of every country has, so far as I know, never been adopted by any nation, and it at present exists only in the speculations of a few men of great learning and ingenuity in France. It would not, surely, be worth while to examine at great length the errors of a system which never has done, and probably never will do, any harm in any part of the world. I shall endeavour to explain, however, as distinctly as I can, the great outlines of this very ingenious system.

M. Colbert, the famous minister of Lewis XIV., was a man of probity, of great industry and knowledge of detail; of great experience and acuteness in the examination of public accounts; and of abilities, in short, every way fitted for introducing method and good order into the collection and expenditure of the public revenue. That minister had unfortunately embraced all the prejudices of the mercantile system, in its nature and essence a system of restraint and regulation, and such as could scarce fail to be agreeable to a laborious and plodding man of business, who had been accustomed to regulate the different departments of public offices, and to establish the necessary checks and controls for confining each to its proper sphere. The industry and commerce of a great country, he endeavoured to regulate upon the same model as the departments of a public office; and instead of allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty, and justice, he bestowed upon certain branches of industry extraordinary privileges, while he laid others under as extraordinary restraints. He was not only disposed, like other European ministers, to encourage more the industry of the towns than that of the country; but, in order to support the industry of the towns, he was willing even to depress and keep down that of the country. In order to render provisions cheap to the inhabitants of the towns, and thereby to encourage manufactures and foreign commerce, he prohibited altogether the exportation of corn, and thus excluded the inhabitants of the country from every foreign market, for by far the most important part of the produce of their industry. This prohibition, joined to the restraints imposed by the ancient provincial laws of France upon the transportation of corn from one province to another, and to the arbitrary and degrading taxes which are levied upon the cultivators in almost all the provinces, discouraged and kept down the agriculture of that country very much below the state to which it would naturally have risen in so very fertile a soil, and so very happy a climate. This state of discouragement and depression was felt more or less in every different part of the country, and many different inquiries were set on foot concerning the causes of it. One of those causes appeared to be the preference given by the

1 Before proceeding farther, we may observe, generally, that not one of the prohibitions referred to by Smith here and elsewhere any longer exists; and a vast number of the duties that existed in his time have been repealed. In this respect, indeed, we are inclined to think that we have gone too far, and that we have reduced and repealed various duties that should not have been interfered with. Previously to the administration of Sir Robert Peel, our customs tariff comprised above 1,000 items, many of which were insignificant, and almost unproductive of revenue. The abolition of the duties on these articles, and of those on the materials of manufacture, with the repeal of prohibitions and the reduction of the duties on sundry articles of first-rate importance, were among the principal boons conferred on the country by that great minister. Latterly, however, we have carried the policy which he inaugurated to what appears to be a dangerous extreme. At the termination of Sir Robert Peel's administration, our tariff comprised above 400 articles, whereas it now (1863) comprises only about 40, whereof not more than from 10 to 12 are of any importance. And these all, or mostly all, affect the necessaries or luxuries of the poor, those of the rich being almost wholly exempted from the burden of taxation. We have elsewhere stated the grounds on which we think that this system is pregnant with the most injurious results. Treatise on Taxation, &c., 3rd ed., pp. 228—234.

institutions of Mr. Colbert to the industry of the towns above that of the country.

If the rod be bent too much one way, says the proverb, in order to make it straight you must bend it as much the other. The French philosophers, who have proposed the system which represents agriculture as the sole source of the revenue and wealth of every country, seem to have adopted this proverbial maxim; and as in the plan of Mr. Colbert the industry of the towns was certainly overvalued in comparison with that of the country, so in their system it seems to be as certainly undervalued.[1]

The different orders of people who have ever been supposed to contribute in any respect towards the annual produce of the land and labour of the country, they divide into three classes. The first is the class of the proprietors of land. The second is the class of the cultivators, of farmers and country labourers, whom they honour with the peculiar appellation of the productive class. The third is the class of artificers, manufacturers, and merchants, whom they endeavour to degrade by the humiliating appellation of the barren or unproductive class.

The class of proprietors contributes to the annual produce by the expense which they may occasionally lay out upon the improvement of the land, upon the buildings, drains, inclosures, and other ameliorations, which they may either make or maintain upon it, and by means of which the cultivators are enabled, with the same capital, to raise a greater produce, and consequently to pay a greater rent. This advanced rent may be considered as the interest or profit due to the proprietor upon the expense or capital which he thus employs in the improvement of his land. Such expenses are in this system called ground expenses (*depenses foncieres*).

The cultivators or farmers contribute to the annual produce by what are in this system called the original and annual expenses (*depenses primitives et depenses annuelles*) which they lay out upon the cultivation of the land. The original expenses consist in the instruments of husbandry, in the stock of cattle, in the seed, and in the maintenance of the farmer's family, servants, and cattle, during at least a greater part of the first year of his occupancy, or till he can receive some return from the land. The annual expenses consist in the seed, in the wear and tear of the instruments of husbandry, and in the annual maintenance of the farmer's servants and cattle, and of his family too, so far as any part of them can be considered as servants employed in cultivation. That part of the produce of the land which remains to him after paying the rent, ought to be sufficient, first to replace to him within a reasonable time, at least during the term of his occupancy, the whole of his original expenses, together with the ordinary profits of stock; and, secondly, to replace to him annually the whole of his annual expenses, together likewise with the ordinary profits of stock. Those two sorts of expenses are two capitals which the farmer employs in cultivation; and unless they are regularly restored to him, together with a reasonable profit, he cannot carry on his employment upon a level with other employments; but from a regard to his own interest, must desert it as soon as possible, and seek some other. That part of the produce of the land which is thus necessary for enabling the farmer to continue his business ought to be considered as a fund sacred to cultivation, which if the landlord violates, he necessarily reduces the produce of his own land, and in a few years not only disables the farmer from paying this racked rent, but from paying the reasonable rent which he might otherwise have got for his land. The rent which properly belongs to the landlord is no more than the neat produce which remains after paying, in the completest manner, all the necessary expenses which must be previously laid out, in order to raise the gross or the whole produce. It is because the labour of the cultivators, over and above paying completely all those necessary expenses, affords a neat produce of this kind, that this class of people are in this system peculiarly distinguished by the honourable appellation of the productive class. Their original and annual expenses are for the same reason called, in this system, productive expenses, because, over and above replacing their own value, they occasion the annual reproduction of this neat produce.

The ground expenses, as they are called, or what the landlord lays out upon the improvement of his land, are, in this system too, honoured with the appellation of productive expenses. Till the whole of those expenses, together with the ordinary profits of stock, have been completely repaid to him by the advanced rent which he gets from his land, that advanced rent ought to be regarded as sacred and inviolable, both by the church and by the king; ought to be subject neither to tithe nor to taxation. If it is otherwise, by discouraging the improvement of land, the church discourages the future increase of her own tithes, and the king the future increase of his own taxes. As in a well ordered state of things, therefore, those ground expenses, over and above reproducing in the completest manner their own value, occasion likewise after a certain time a reproduction of a neat produce, they are in this system considered as productive expenses.

The ground expenses of the landlord, how-

[1] For some account of the rise of this system, and its distinguishing features, see Introductory Discourse, pp. xxxix—xliii.

ever, together with the original and the annual expenses of the farmer, are the only three sorts of expenses which in this system are considered as productive. All other expenses, and all other orders of people, even those who in the common apprehensions of men are regarded as the most productive, are in this account of things represented as altogether barren and unproductive.

Artificers and manufacturers, in particular, whose industry, in the common apprehensions of men, increases so much the value of the rude produce of land, are in this system represented as a class of people altogether barren and unproductive. Their labour, it is said replaces only the stock which employs them, together with its ordinary profits. That stock consists in the materials, tools, and wages, advanced to them by their employer; and is the fund destined for their employment and maintenance. Its profits are the fund destined for the maintenance of their employer. Their employer, as he advances to them the stock of materials, tools, and wages, necessary for their employment, so he advances to himself what is necessary for his own maintenance; and this maintenance he generally proportions to the profit which he expects to make by the price of their work. Unless its price repays to him the maintenance which he advances to himself, as well as the materials, tools, and wages, which he advances to his workmen, it evidently does not repay to him the whole expense which he lays out upon it. The profits of manufacturing stock, therefore, are not, like the rent of land, a neat produce which remains after completely repaying the whole expense which must be laid out in order to obtain them. The stock of the farmer yields him a profit, as well as that of the master manufacturer; and it yields a rent likewise to another person, which that of the master manufacturer does not. The expense, therefore, laid out in employing and maintaining artificers and manufacturers does no more than continue, if one may say so, the existence of its own value, and does not produce any new value. It is therefore altogether a barren and unproductive expense. The expense, on the contrary, laid out in employing farmers and country labourers, over and above continuing the existence of its own value, produces a new value, — the rent of the landlord. It is therefore a productive expense.

Mercantile stock is equally barren and unproductive with manufacturing stock. It only continues the existence of its own value, without producing any new value. Its profits are only the repayment of the maintenance which its employer advances to himself during the time that he employs it, or till he receives the returns of it. They are only the repayment of a part of the expense which must be laid out in employing it.

The labour of artificers and manufacturers never adds any thing to the value of the whole annual amount of the rude produce of the land. It adds indeed greatly to the value of some particular parts of it. But the consumption which in the mean time it occasions of other parts, is precisely equal to the value which it adds to those parts; so that the value of the whole amount is not, at any one moment of time, in the least augmented by it. The person who works the lace of a pair of fine ruffles, for example, will sometimes raise the value of perhaps a pennyworth of flax to thirty pounds sterling. But though at first sight he appears thereby to multiply the value of a part of the rude produce about seven thousand and two hundred times, he in reality adds nothing to the value of the whole annual amount of the rude produce. The working of that lace costs him perhaps two years' labour. The thirty pounds which he gets for it when it is finished, is no more than the repayment of the subsistence which he advances to himself during the two years that he is employed about it. The value which, by every day's, month's, or year's labour, he adds to the flax, does no more than replace the value of his own consumption during that day, month, or year. At no moment of time, therefore, does he add any thing to the value of the whole annual amount of the rude produce of the land; the portion of that produce which he is continually consuming, being always equal to the value which he is continually producing. The extreme poverty of the greater part of the persons employed in this expensive though trifling manufacture, may satisfy us that the price of their work does not in ordinary cases exceed the value of their subsistence. It is otherwise with the work of farmers and country labourers. The rent of the landlord is a value which, in ordinary cases, it is continually producing, over and above replacing, in the most complete manner, the whole consumption, the whole expense laid out upon the employment and maintenance both of the workmen and of their employer.

Artificers, manufacturers, and merchants, can augment the revenue and wealth of their society by parsimony only; or, as it is expressed in this system, by privation, that is, by depriving themselves of a part of the funds destined for their own subsistence. They annually reproduce nothing but those funds. Unless, therefore, they annually save some part of them, unless they annually deprive themselves of the enjoyment of some part of them, the revenue and wealth of their society can never be in the smallest degree augmented by means of their industry. Farmers

and country labourers, on the contrary, may enjoy completely the whole funds destined for their own subsistence, and yet augment at the same time the revenue and wealth of their society. Over and above what is destined for their own subsistence, their industry annually affords a neat produce, of which the augmentation necessarily augments the revenue and wealth of their society. Nations, therefore, which, like France or England, consist in a great measure of proprietors and cultivators, can be enriched by industry and enjoyment. Nations, on the contrary, which, like Holland and Hamburgh, are composed chiefly of merchants, artificers, and manufacturers, can grow rich only through parsimony and privation. As the interest of nations so differently circumstanced is very different, so is likewise the common character of the people. In those of the former kind, liberality, frankness, and good fellowship, naturally make a part of their common character; in the latter, narrowness, meanness, and a selfish disposition, averse to all social pleasure and enjoyment.

The unproductive class, that of merchants, artificers, and manufacturers, is maintained and employed altogether at the expense of the two other classes, of that of proprietors, and of that of cultivators. They furnish it both with the materials of its work and with the fund of its subsistence, with the corn and cattle which it consumes while it is employed about that work. The proprietors and cultivators finally pay both the wages of all the workmen of the unproductive class, and the profits of all their employers. Those workmen and their employers are properly the servants of the proprietors and cultivators. They are only servants who work without doors, as menial servants work within. Both the one and the other, however, are equally maintained at the expense of the same masters. The labour of both is equally unproductive. It adds nothing to the value of the sum total of the rude produce of the land. Instead of increasing the value of that sum total, it is a charge and expense which must be paid out of it.

The unproductive class, however, is not only useful, but greatly useful to the other two classes. By means of the industry of merchants, artificers, and manufacturers, the proprietors and cultivators can purchase both the foreign goods and the manufactured produce of their own country which they have occasion for, with the produce of a much smaller quantity of their own labour than what they would be obliged to employ if they were to attempt, in an awkward and unskilful manner, either to import the one, or to make the other for their own use. By means of the unproductive class, the cultivators are delivered from many cares which would otherwise distract their attention from the cultivation of land. The superiority of produce, which, in consequence of this undivided attention, they are enabled to raise, is fully sufficient to pay the whole expense which the maintenance and employment of the unproductive class costs either the proprietors or themselves. The industry of merchants, artificers, and manufacturers, though in its own nature altogether unproductive, yet contributes in this manner indirectly to increase the produce of the land. It increases the productive powers of productive labour, by leaving it at liberty to confine itself to its proper employment — the cultivation of land; and the plough goes frequently the easier and the better by means of the labour of the man whose business is most remote from the plough.

It can never be the interest of the proprietors and cultivators to restrain or to discourage in any respect the industry of merchants, artificers, and manufacturers. The greater the liberty which this unproductive class enjoys, the greater will be the competition in all the different trades which compose it, and the cheaper will the other two classes be supplied, both with foreign goods and with the manufactured produce of their own country.

It can never be the interest of the unproductive class to oppress the other two classes. It is the surplus produce of the land, or what remains after deducting the maintenance, first of the cultivators, and afterwards of the proprietors, that maintains and employs the unproductive class. The greater this surplus, the greater must likewise be the maintenance and employment of that class. The establishment of perfect justice, of perfect liberty, and of perfect equality, is the very simple secret which most effectually secures the highest degree of prosperity to all the three classes.

The merchants, artificers, and manufacturers of those mercantile states which, like Holland and Hamburgh, consist chiefly of this unproductive class, are in the same manner maintained and employed altogether at the expense of the proprietors and cultivators of land. The only difference is, that those proprietors and cultivators are, the greater part of them, placed at a most inconvenient distance from the merchants, artificers, and manufacturers whom they supply with the materials of their work and the fund of their subsistence, — are the inhabitants of other countries, and the subjects of other governments.

Such mercantile states, however, are not only useful, but greatly useful to the inhabitants of those other countries. They fill up, in some measure, a very important void, and supply the place of the merchants, artificers, and manufacturers, whom the inhabitants of those countries ought to find at home, but

whom, from some defect in their policy, they do not find at home.

It can never be the interest of those landed nations, if I may call them so, to discourage or distress the industry of such mercantile states, by imposing high duties upon their trade, or upon the commodities which they furnish. Such duties, by rendering those commodities dearer, could serve only to sink the real value of the surplus produce of their own land, with which, or, what comes to the same thing, with the price of which, those commodities are purchased. Such duties could serve only to discourage the increase of that surplus produce, and consequently the improvement and cultivation of their own land. The most effectual expedient, on the contrary, for raising the value of that surplus produce, for encouraging its increase, and consequently the improvement and cultivation of their own land, would be to allow the most perfect freedom to the trade of all such mercantile nations.

This perfect freedom of trade would even be the most effectual expedient for supplying them in due time with all the artificers, manufacturers, and merchants whom they wanted at home, and for filling up, in the properest and most advantageous manner, that very important void which they felt there.

The continual increase of the surplus produce of their land would, in due time, create a greater capital than what could be employed with the ordinary rate of profit in the improvement and cultivation of land; and the surplus part of it would naturally turn itself to the employment of artificers and manufacturers at home. But those artificers and manufacturers, finding at home both the materials of their work and the fund of their subsistence, might immediately, even with much less art and skill, be able to work as cheap as the like artificers and manufacturers of such mercantile states, who had both to bring from a great distance. Even though, from want of art and skill, they might not for some time be able to work as cheap, yet, finding a market at home, they might be able to sell their work there as cheap as that of the artificers and manufacturers of such mercantile states, which could not be brought to that market but from so great a distance; and as their art and skill improved, they would soon be able to sell it cheaper. The artificers and manufacturers of such mercantile states, therefore, would immediately be rivalled in the market of those landed nations, and soon after undersold and justled out of it altogether. The cheapness of the manufactures of those landed nations, in consequence of the gradual improvements of art and skill, would in due time extend their sale beyond the home market, and carry them to many foreign markets, from which they would in the same manner gradually justle out many of the manufactures of such mercantile nations.

This continual increase, both of the rude and manufactured produce of those landed nations, would in due time create a greater capital than could, with the ordinary rate of profit, be employed either in agriculture or in manufactures. The surplus of this capital would naturally turn itself to foreign trade, and be employed in exporting to foreign countries such parts of the rude and manufactured produce of its own country as exceeded the demand of the home market. In the exportation of the produce of their own country the merchants of a landed nation would have an advantage of the same kind over those of mercantile nations which its artificers and manufacturers had over the artificers and manufacturers of such nations; the advantage of finding at home that cargo, and those stores and provisions, which the others were obliged to seek for at a distance. With inferior art and skill in navigation, therefore, they would be able to sell that cargo as cheap in foreign markets as the merchants of such mercantile nations; and with equal art and skill they would be able to sell it cheaper. They would soon, therefore, rival those mercantile nations in this branch of foreign trade, and in due time would justle them out of it altogether.

According to this liberal and generous system, therefore, the most advantageous method in which a landed nation can raise up artificers, manufacturers, and merchants of its own, is to grant the most perfect freedom of trade to the artificers, manufacturers, and merchants of all other nations. It thereby raises the value of the surplus produce of its own land, of which the continual increase gradually establishes a fund, which in due time necessarily raises up all the artificers, manufacturers and merchants whom it has occasion for.

When a landed nation, on the contrary, oppresses, either by high duties or by prohibitions, the trade of foreign nations, it necessarily hurts its own interest in two different ways: first, by raising the price of all foreign goods, and of all sorts of manufactures, it necessarily sinks the real value of the surplus produce of its own land, with which, or, what comes to the same thing, with the price of which it purchases those foreign goods and manufactures. Secondly, by giving a sort of monopoly of the home market to its own merchants, artificers, and manufacturers, it raises the rate of mercantile and manufacturing profit in proportion to that of agricultural profit, and consequently either draws from agriculture a part of the capital which had before been employed in it, or hinders from going to it a part of what would otherwise have gone to it. This policy, therefore,

discourages agriculture in two different ways: first, by sinking the real value of its produce, and thereby lowering the rate of its profits; and, secondly, by raising the rate of profit in all other employments. Agriculture is rendered less advantageous, and trade and manufactures more advantageous than they otherwise would be; and every man is tempted by his own interest to turn, as much as he can, both his capital and his industry from the former to the latter employments.

Though by this oppressive policy a landed nation should be able to raise up artificers, manufacturers, and merchants of its own, somewhat sooner than it could do by the freedom of trade—a matter, however, which is not a little doubtful; yet it would raise them up, if one may say so, prematurely, and before it was perfectly ripe for them. By raising up too hastily one species of industry, it would depress another more valuable species of industry. By raising up too hastily a species of industry which only replaces the stock which employs it, together with the ordinary profit, it would depress a species of industry which, over and above replacing that stock with its profit, affords likewise a neat produce, a free rent to the landlord. It would depress productive labour, by encouraging too hastily that labour which is altogether barren and unproductive.

In what manner, according to this system, the sum total of the annual produce of the land is distributed among the three classes above mentioned, and in what manner the labour of the unproductive class does no more than replace the value of its own consumption, without increasing in any respect the value of that sum total, is represented by Mr. Quesnay, the very ingenious and profound author of this system, in some arithmetical formularies.[1] The first of these formularies, which, by way of eminence, he peculiarly distinguishes by the name of the Economical Table, represents the manner in which he supposes this distribution takes place, in a state of the most perfect liberty, and therefore of the highest prosperity; in a state where the annual produce is such as to afford the greatest possible neat produce, and where each class enjoys its proper share of the whole annual produce. Some subsequent formularies represent the manner in which he supposes this distribution is made in different states of restraint and regulation; in which either the class of proprietors or the barren and unproductive class is more favoured than the class of cultivators, and in which either the one or the other encroaches more or less upon the share which ought properly to belong to this productive class. Every such encroachment, every violation of that natural distribution which the most perfect liberty would establish, must, according to this system, necessarily degrade more or less, from one year to another, the value and sum total of the annual produce, and must necessarily occasion a gradual declension in the real wealth and revenue of the society; a declension, of which the progress must be quicker or slower, according to the degree of this encroachment, according as that natural distribution, which the most perfect liberty would establish, is more or less violated. Those subsequent formularies represent the different degrees of declension, which, according to this system, correspond to the different degrees in which this natural distribution of things is violated.

Some speculative physicians seem to have imagined that the health of the human body could be preserved only by a certain precise regimen of diet and exercise, of which every, the smallest, violation necessarily occasioned some degree of disease or disorder proportioned to the degree of the violation. Experience, however, would seem to show, that the human body frequently preserves, to all appearance at least, the most perfect state of health under a vast variety of different regimens; even under some which are generally believed to be very far from being perfectly wholesome. But the healthful state of the human body, it would seem, contains in itself some unknown principle of preservation, capable either of preventing or of correcting, in many respects, the bad effects even of a very faulty regimen. Mr. Quesnay, who was himself a physician, and a very speculative physician, seems to have entertained a notion of the same kind concerning the political body, and to have imagined that it would thrive and prosper only under a certain precise regimen, the exact regimen of perfect liberty and perfect justice. He seems not to have considered, that in the political body the natural effort which every man is continually making to better his own condition is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political economy, in some degree both partial and oppressive. Such a political economy, though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still less of making it go backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the

[1] The reader will find a pretty full account of the life of this ingenious and excellent person in the new edition of the *Encyclopædia Britannica*, art. Quesnay.

folly and injustice of man; in the same manner as it has done in the natural body, for remedying those of his sloth and intemperance.

The capital error of this system[1], however, seems to lie in its representing the class of artificers, manufacturers, and merchants, as altogether barren and unproductive. The following observations may serve to show the impropriety of this representation.

First, This class, it is acknowledged, reproduces annually the value of its own annual consumption, and continues at least the existence of the stock or capital which maintains and employs it. But, upon this account alone, the denomination of barren or unproductive should seem to be very improperly applied to it. We should not call a marriage barren or unproductive, though it produced only a son and a daughter, to replace the father and mother, and though it did not increase the number of the human species, but only continued it as it was before. Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a neat produce, a free rent to the landlord. As a marriage which affords three children is certainly more productive than one which affords only two, so the labour of farmers and country labourers is certainly more productive than that of merchants, artificers, and manufacturers.[2] The superior produce of the one class, however, does not render the other barren or unproductive.

Secondly, It seems, upon this account, altogether improper to consider artificers, manufacturers, and merchants, in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters, and the work which they perform is not of a nature to repay that expense. That work consists in services which perish generally in the very instant of their performance, and does not fix or realise itself in any vendible commodity which can replace the value of their wages and maintenance. The labour, on the contrary, of artificers, manufacturers, and merchants, naturally does fix and realise itself in some such vendible commodity. It is upon this account that, in the chapter in which I treat of productive and unproductive labour, I have classed artificers, manufacturers, and merchants, among the productive labourers, and menial servants among the barren or unproductive.[3]

Thirdly, It seems, upon every supposition, improper to say, that the labour of artificers, manufacturers, and merchants, does not increase the real revenue of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production; yet it would not from thence follow that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes ten pounds' worth of work, though he should, in the same time, consume ten pounds' worth of corn and other necessaries, yet really adds the value of ten pounds to the annual produce of the land and labour of the society. While he has been consuming a half-yearly revenue of ten pounds' worth of corn and other necessaries, he has produced an equal value of work, capable of purchasing, either to himself or to some other person, an equal half-yearly revenue. The value, therefore, of what has been consumed and produced during these six months, is equal, not to ten, but to twenty pounds. It is possible, indeed, that no more than ten pounds' worth of this value may ever have existed at any one moment of time. But if the ten pounds' worth of corn and other necessaries, which were consumed by the artificer, had been consumed by a soldier, or by a menial servant, the value of that part of the annual produce which existed at the end of the six

[1] This error seems to have originated in the view taken by Quesnay and the Economists, of the nature and causes of rent. They remarked, that the industry of merchants and manufacturers did nothing but replace their capitals with wages and profits; whereas the industry of agriculturists yielded them the same wages and profits, exclusive of an additional surplus or *produit net*, paid to the landlords as rent. This circumstance appeared to the Economists to prove conclusively that agriculture was the only really productive employment, that is, the only one that afforded a greater quantity of products than were necessarily consumed in carrying it on; and it is on this assumption that their whole theory is built. Had they been acquainted with the circumstances which give rise to, and which also limit and determine, the amount of rent, they would not have drawn such conclusions. They would then have seen that when none but the finest lands are under tillage, no rent, or *produit net*, is obtained from the ground; that rent is, in truth, a consequence of the decreasing fertility of the soil, or of our being obliged to resort to inferior lands to obtain supplies of food for an increasing population; and that it is determined by the extent to which such inferior lands are cultivated — increasing as they are taken into cultivation, and diminishing as they are thrown out of cultivation. Dr. Smith was not aware of this principle, and therefore his refutation of the system of the Economists is far from satisfactory. See *Introductory Discourse*, p. xlii., and the supplemental note on Rent.

[2] I have endeavoured to show the fallacy of this opinion. See *ante*, p. 146. note.

[3] The distinction which Dr. Smith has attempted to make between the labour of menial servants and artificers, is in every respect as imaginary as that which the Economists attempted to make between the labour of agriculturists and that of artificers and merchants. See reference in the previous note, and *Principles of Political Economy*, 2d ed. p. 526.

months, would have been ten pounds less than it actually is in consequence of the labour of the artificer.[1] Though the value of what the artificer produces, therefore, should not at any one moment of time be supposed greater than the value he consumes, yet at every moment of time the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be.

When the patrons of this system assert, that the consumption of artificers, manufacturers, and merchants is equal to the value of what they produce, they probably mean no more than that their revenue, or the fund destined for their consumption, is equal to it. But if they had expressed themselves more accurately, and only asserted that the revenue of this class was equal to the value of what they produced, it might readily have occurred to the reader, that what would naturally be saved out of this revenue must necessarily increase more or less the real wealth of the society. In order, therefore, to make out something like an argument, it was necessary that they should express themselves as they have done; and this argument, even supposing things actually were as it seems to presume them to be, turns out to be a very inconclusive one.

Fourthly, Farmers and country labourers can no more augment, without parsimony, the real revenue, the annual produce of the land and labour of their society, than artificers, manufacturers, and merchants. The annual produce of the land and labour of any society can be augmented only in two ways: either, first, by some improvement in the productive powers of the useful labour actually maintained within it; or, secondly, by some increase in the quantity of that labour.

The improvement in the productive powers of useful labour, depends, first, upon the improvement in the ability of the workman; and secondly, upon that of the machinery with which he works. But the labour of artificers and manufacturers, as it is capable of being more subdivided, and the labour of each workman reduced to a greater simplicity of operation than that of farmers and country labourers, so it is likewise capable of both these sorts of improvement in a much higher degree.[2] In this respect, therefore, the class of cultivators can have no sort of advantage over that of artificers and manufacturers.

The increase in the quantity of useful labour actually employed within any society, must depend altogether upon the increase of the capital which employs it; and the increase of that capital, again, must be exactly equal to the amount of the savings from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons who lend it to them. If merchants, artificers, and manufacturers are, as this system seems to suppose, naturally more inclined to parsimony and saving than proprietors and cultivators, they are, so far, more likely to augment the quantity of useful labour employed within their society, and consequently to increase its real revenue, the annual produce of its land and labour.

Fifthly, and lastly, Though the revenue of the inhabitants of every country was supposed to consist altogether, as this system seems to suppose, in the quantity of subsistence which their industry could procure to them; yet, even upon this supposition, the revenue of a trading and manufacturing country must, other things being equal, always be much greater than that of one without trade or manufactures. By means of trade and manufactures, a greater quantity of subsistence can be annually imported into a particular country than what its own lands, in the actual state of their cultivation, could afford. The inhabitants of a town, though they frequently possess no lands of their own, yet draw to themselves, by their industry, such a quantity of the rude produce of the lands of other people as supplies them, not only with the materials of their work, but with the fund of their subsistence. What a town always is with regard to the country in its neighbourhood, one independent state or country may frequently be with regard to other independent states or countries. It is thus that Holland draws a great part of its subsistence from other countries; live cattle from Holstein and Jutland, and corn from almost all the different countries of Europe. A small quantity of manufactured produce purchases a great quantity of rude produce. A trading and manufacturing country, therefore, naturally purchases, with a small part of its manufactured produce, a great part of the rude produce of other countries; while, on the contrary, a country without trade and manufactures is generally obliged to purchase, at the expense of a great part of its rude produce, a very small part of the manufactured produce of other countries. The one exports what can subsist and accommodate but a very few, and imports the subsistence and accommodation of a great number. The other exports the accommodation and subsistence of a great number, and imports that of a very few only. The inhabitants of the one must always enjoy a much greater quantity of subsistence than what their own lands, in the

But the services rendered by the soldier or menial servant, would enable others to produce a proportionally greater amount of produce. See preceding references.

[1] See book i. chap. i.

actual state of their cultivation, could afford. The inhabitants of the other must always enjoy a much smaller quantity.

This system, however, with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy; and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science. Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are perhaps too narrow and confined; yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society; and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal. Its followers are very numerous; and as men are fond of paradoxes, and of appearing to understand what surpasses the comprehension of ordinary people, the paradox which it maintains, concerning the unproductive nature of manufacturing labour, has not perhaps contributed a little to increase the number of its admirers. They have for some years past made a pretty considerable sect, distinguished in the French republic of letters by the name of the Economists. Their works have certainly been of some service to their country, not only by bringing into general discussion many subjects which had never been well examined before, but by influencing in some measure the public administration in favour of agriculture. It has been in consequence of their representations, accordingly, that the agriculture of France has been delivered from several of the oppressions which it before laboured under. The term during which a lease can be granted, as will be valid against every future purchaser or proprietor of the land, has been prolonged from nine to twenty-seven years. The ancient provincial restraints upon the transportation of corn from one province of the kingdom to another have been entirely taken away, and the liberty of exporting it to all foreign countries has been established as the common law of the kingdom in all ordinary cases. This sect, in their works, which are very numerous, and which treat not only of what is properly called Political Economy, or of the nature and causes of the wealth of nations, but of every other branch of the system of civil government, all follow implicitly, and without any sensible variation, the doctrine of Mr. Quesnay. There is, upon this account, little variety in the greater part of their works. The most distinct and best connected account of this doctrine is to be found in a little book written by Mr. Mercier de la Riviere, some time intendant of Martinico, entitled, The Natural and Essential Order of Political Societies. The admiration of this whole sect for their master, who was himself a man of the greatest modesty and simplicity, is not inferior to that of any of the ancient philosophers for the founders of their respective systems. "There have been, since the world began," says a very diligent and respectable author, the Marquis de Mirabeau, "three great inventions which have principally given stability to political societies, independent of many other inventions which have enriched and adorned them. The first is, the invention of writing, which alone gives human nature the power of transmitting, without alteration, its laws, its contracts, its annals, and its discoveries. The second is, the invention of money, which binds together all the relations between civilised societies. The third is, the economical table, the result of the other two, which completes them both by perfecting their object; the great discovery of our age, but of which our posterity will reap the benefit."

As the political economy of the nations of modern Europe has been more favourable to manufactures and foreign trade, the industry of the towns, than to agriculture, the industry of the country, so that of other nations has followed a different plan, and has been more favourable to agriculture than to manufactures and foreign trade.

The policy of China favours agriculture more than all other employments. In China, the condition of a labourer is said to be as much superior to that of an artificer, as in most parts of Europe that of an artificer is to that of a labourer. In China, the great ambition of every man is to get possession of a little bit of land, either in property or in lease; and leases are there said to be granted upon very moderate terms, and to be sufficiently secured to the lessees. The Chinese have little respect for foreign trade. Your beggarly commerce! was the language in which the mandarins of Pekin used to talk to Mr. De Lange, the Russian envoy, concerning it.[1] Except with Japan, the Chinese carry on, themselves, and in their own bottoms, little or no foreign trade; and it is only into one or two ports of their kingdom that they even admit the ships of foreign nations. Foreign trade therefore is, in China, every way confined within a much narrower circle than that to which it would naturally extend itself, if more freedom was allowed to it, either in their own ships or in those of foreign nations.

Manufactures, as in a small bulk they

[1] See the Journal of Mr. De Lange, in Bell's Travels, vol. ii. p. 259. 276. 293. (Note by the author.)

frequently contain a great value, and can upon that account be transported at less expense from one country to another than most parts of rude produce, are, in almost all countries, the principal support of foreign trade. In countries, besides, less extensive, and less favourably circumstanced for inferior commerce than China, they generally require the support of foreign trade. Without an extensive foreign market, they could not well flourish, either in countries so moderately extensive as to afford but a narrow home market, or in countries where the communication between one province and another was so difficult, as to render it impossible for the goods of any particular place to enjoy the whole of that home market which the country could afford. The perfection of manufacturing industry, it must be remembered, depends altogether upon the division of labour; and the degree to which the division of labour can be introduced into any manufacture, is necessarily regulated, it has already been shown, by the extent of the market. But the great extent of the empire of China, the vast multitude of its inhabitants, the variety of climate, and consequently of productions in its different provinces, and the easy communication by means of water carriage between the greater part of them, render the home market of that country of so great extent, as to be alone sufficient to support very great manufactures, and to admit of very considerable subdivisions of labour. The home market of China is perhaps, in extent, not much inferior to the market of all the different countries of Europe put together. A more extensive foreign trade, however, which to this great home market added the foreign market of all the rest of the world, especially if any considerable part of this trade was carried on in Chinese ships, could scarce fail to increase very much the manufactures of China, and to improve very much the productive powers of its manufacturing industry. By a more extensive navigation, the Chinese would naturally learn the art of using and constructing, themselves, all the different machines made use of in other countries, as well as the other improvements of art and industry which are practised in all the different parts of the world. Upon their present plan, they have little opportunity of improving themselves by the example of any other nation, except that of the Japanese.

The policy of ancient Egypt too, and that of the Gentoo government of Indostan, seem to have favoured agriculture more than all other employments.

Both in ancient Egypt and Indostan, the whole body of the people was divided into different casts or tribes, each of which was confined, from father to son, to a particular employment or class of employments. The son of a priest was necessarily a priest; the son of a soldier, a soldier; the son of a labourer, a labourer; the son of a weaver, a weaver; the son of a tailor, a tailor, &c. In both countries, the cast of the priests held the highest rank, and that of the soldiers the next; and in both countries, the cast of the farmers and labourers was superior to the casts of merchants and manufacturers.

The government of both countries was particularly attentive to the interest of agriculture. The works constructed by the ancient sovereigns of Egypt, for the proper distribution of the waters of the Nile, were famous in antiquity, and the ruined remains of some of them are still the admiration of travellers. Those of the same kind which were constructed by the ancient sovereigns of Indostan, for the proper distribution of the waters of the Ganges as well as of many other rivers, though they have been less celebrated, seem to have been equally great. Both countries, accordingly, though subject occasionally to dearths, have been famous for their great fertility. Though both were extremely populous, yet, in years of moderate plenty, they were both able to export great quantities of grain to their neighbours.

The ancient Egyptians had a superstitious aversion to the sea [1]; and as the Gentoo religion does not permit its followers to light a fire, nor consequently to dress any victuals upon the water, it in effect prohibits them from all distant sea voyages. Both the Egyptians and Indians must have depended almost altogether upon the navigation of other nations for the exportation of their surplus produce; and this dependency, as it must have confined the market, so it must have discouraged the increase of this surplus produce. It must have discouraged too the increase of the manufactured produce more than that of the rude produce. Manufactures require a much more extensive market than the most important parts of the rude produce of the land. A single shoemaker will make more than three hundred pairs of shoes in the year; and his own family will not perhaps wear out six pairs. Unless therefore he has the custom of at least fifty such families as his own, he cannot dispose of the whole produce of his own labour. The most numerous class of artificers will seldom, in a large country, make more than one in fifty, or one in a hundred, of the whole number of families contained in it. But in such large countries as France and England, the number of people employed in agriculture has, by some authors, been computed at a half, by others at a third, and by no author

[1] There is reason to doubt this assertion. See supplemental note on the Navigation of the Ancient Egyptians.

that I know of, at less than a fifth of the whole inhabitants of the country.[1] But as the produce of the agriculture of both France and England is, the far greater part of it, consumed at home, each person employed in it must, according to these computations, require little more than the custom of one, two, or, at most, of four such families as his own, in order to dispose of the whole produce of his own labour. Agriculture, therefore, can support itself under the discouragement of a confined market much better than manufactures. In both ancient Egypt and Indostan, indeed, the confinement of the foreign market was in some measure compensated by the conveniency of many inland navigations, which opened, in the most advantageous manner, the whole extent of the home market to every part of the produce of every different district of those countries. The great extent of Indostan, too, rendered the home market of that country very great, and sufficient to support a great variety of manufactures. But the small extent of ancient Egypt, which was never equal to England, must at all times have rendered the home market of that country too narrow for supporting any great variety of manufactures. Bengal accordingly, the province of Indostan which commonly exports the greatest quantity of rice, has always been more remarkable for the exportation of a great variety of manufactures than for that of its grain. Ancient Egypt, on the contrary, though it exported some manufactures—fine linen in particular—as well as some other goods, was always most distinguished for its great exportation of grain. It was long the granary of the Roman empire.

The sovereigns of China, of ancient Egypt, and of the different kingdoms into which Indostan has at different times been divided, have always derived the whole, or by far the most considerable part, of their revenue from some sort of land-tax or land-rent. This land-tax or land-rent, like the tithe in Europe, consisted, in a certain proportion, of a fifth, it is said, of the produce of the land, which was either delivered in kind or paid in money, according to a certain valuation, and which therefore varied from year to year, according to all the variations of the produce. It was natural, therefore, that the sovereigns of those countries should be particularly attentive to the interests of agriculture, upon the prosperity or declension of which immediately depended the yearly increase or diminution of their own revenue.

The policy of the ancient republics of Greece, and that of Rome, though it honoured agriculture more than manufactures or foreign trade, yet seems rather to have discouraged the latter employments, than to have given any direct or intentional encouragement to the former. In several of the ancient states of Greece, foreign trade was prohibited altogether: and in several others, the employments of artificers and manufacturers were considered as hurtful to the strength and agility of the human body, as rendering it incapable of those habits which their military and gymnastic exercises endeavoured to form in it, and as thereby disqualifying it more or less for undergoing the fatigues and encountering the dangers of war. Such occupations were considered as fit only for slaves, and the free citizens of the state were prohibited from exercising them. Even in those states where no such prohibition took place, as in Rome and Athens, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Athens and Rome, all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich. Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery or in the arrangement and distribution of work which facilitate and abridge labour, have been the discoveries of freemen. Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the suggestion of laziness, and of a desire to save his own labour at the master's expense. The poor slave, instead of reward, would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work than in those carried on by freemen. The work of the former must, upon that account, generally have been dearer than that of the latter. The Hungarian mines, it is remarked by Mr. Montesquieu, though not richer, have always been wrought with less expense, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the arms of those slaves are the only machines which the Turks have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a great deal of machinery, by which they facilitate and abridge their own labour. From the very little that is known about

[1] According to the census of 1831, of 3,414,175 families in Great Britain, only 961,134 were engaged in agriculture. In Ireland, on the contrary, of 1,385,066 families, 884,339 were employed in agriculture.

the price of manufactures in the times of the Greeks and Romans, it would appear that those of the finer sort were excessively dear. Silk sold for its weight in gold. It was not, indeed, in those times an European manufacture; and as it was all brought from the East Indies, the distance of the carriage may in some measure account for the greatness of the price. The price, however, which a lady, it is said, would sometimes pay for a piece of very fine linen, seems to have been equally extravagant; and as linen was always either an European, or, at farthest, an Egyptian manufacture, this high price can be accounted for only by the great expense of the labour which must have been employed about it, and the expense of this labour again could arise from nothing but the awkwardness of the machinery which is made use of. The price of fine woollens too, though not quite so extravagant, seems however to have been much above that of the present times. Some cloths, we are told by Pliny, dyed in a particular manner, cost a hundred denarii, or three pounds six shillings and eightpence the pound weight.[1] Others, dyed in another manner, cost a thousand denarii the pound weight or thirty-three pounds six shillings and eightpence. The Roman pound, it must be remembered, contained only twelve of our avoirdupois ounces. This high price, indeed, seems to have been principally owing to the dye. But had not the cloths themselves been much dearer than any which are made in the present times, so very expensive a dye would not probably have been bestowed upon them. The disproportion would have been too great between the value of the accessory and that of the principal. The price mentioned by the same author[2] of some triclinaria, a sort of woollen pillows or cushions made use of to lean upon as they reclined upon their couches at table, passes all credibility; some of them being said to have cost more than thirty thousand, others more than three hundred thousand pounds. This high price too is not said to have arisen from the dye. In the dress of the people of fashion of both sexes there seems to have been much less variety, it is observed by Doctor Arbuthnot, in ancient than in modern times; and the very little variety which we find in that of the ancient statues confirms his observation. He infers from this that their dress must, upon the whole, have been cheaper than ours: but the conclusion does not seem to follow. When the expense of fashionable dress is very great, the variety must be very small. But when, by the improvements in the productive powers of manufacturing art and industry the expense of any one dress comes to be very moderate, the variety will naturally be very great. The rich, not being able to distinguish themselves by the expense of any one dress, will naturally endeavour to do so by the multitude and variety of their dresses.[3]

The greatest and most important branch of the commerce of every nation, it has already been observed, is that which is carried on between the inhabitants of the town and those of the country. The inhabitants of the town draw from the country the rude produce which constitutes both the materials of their work and the fund of their subsistence; and they pay for this rude produce by sending back to the country a certain portion of it manufactured and prepared for immediate use. The trade which is carried on between these two different sets of people, consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. The dearer the latter, therefore, the cheaper the former; and whatever tends in any country to raise the price of manufactured produce tends to lower that of the rude produce of the land, and thereby to discourage agriculture. The smaller the quantity of manufactured produce which any given quantity of rude produce, or, what comes to the same thing, which the price of any given quantity of rude produce is capable of purchasing, the smaller the exchangeable value of that given quantity of rude produce; the smaller the encouragement which either the landlord has to increase its quantity by improving, or the farmer by cultivating the land. Whatever, besides, tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market, the most important of all markets for the rude produce of the land, and thereby still further to discourage agriculture.

Those systems, therefore, which preferring agriculture to all other employments, in order to promote it, impose restraints upon manufactures and foreign trade, act contrary to the very end which they propose, and indirectly discourage that very species of industry which they mean to promote. They are so far, perhaps, more inconsistent than even the mercantile system. That system, by encouraging manufactures and foreign trade more than agriculture, turns a certain portion of the capital of the society from supporting a more advantageous, to support a less advantageous species of industry. But still it really and in the end encourages that species of industry which it means to

[1] Plin. l. ix. c. 39.
[2] Plin. l. viii. c. 48.
[3] The statements with respect to the prices of dress in antiquity in this and other parts of the Wealth of Nations, are deduced from the tables of Arbuthnot, which are of very doubtful authority. See *ante*, p. 61, note.

promote. Those agricultural systems, on the contrary, really and in the end discourage their own favourite species of industry.

It is thus that every system which endeavours either by extraordinary encouragements to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it, or by extraordinary restraints to force from a particular species of industry some share of the capital which would otherwise be employed in it, is, in reality, subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual, or small number of individuals, though it may frequently do much more than repay it to a great society.

The proper performance of those several duties of the sovereign necessarily supposes a certain expense; and this expense again necessarily requires a certain revenue to support it. In the following book, therefore, I shall endeavour to explain, first, what are the necessary expenses of the sovereign or commonwealth, and which of those expenses ought to be defrayed by the general contribution of the whole society; and which of them, by that of some particular part only, or of some particular members of the society; secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expenses incumbent on the whole society; and what are the principal advantages and inconveniences of each of those methods; and, thirdly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts; and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society. The following book, therefore, will naturally be divided into three chapters.

BOOK V.

OF THE REVENUE OF THE SOVEREIGN OR COMMONWEALTH.

CHAP. I.

Of the Expenses of the Sovereign or Commonwealth.

PART I.

Of the Expense of Defence.

THE first duty of the sovereign, that of protecting the society from the violence and invasion of other independent societies, can be performed only by means of a military force. But the expense both of preparing this military force in time of peace, and of employing it in time of war, is very different in the different states of society, in the different periods of improvement.

Among nations of hunters, the lowest and rudest state of society, such as we find it among the native tribes of North America, every man is a warrior, as well as a hunter. When he goes to war, either to defend his society, or to revenge the injuries which have been done to it by other societies, he maintains himself by his own labour, in the same manner as when he lives at home. His society—for in this state of things there is properly neither sovereign nor commonwealth — is at no sort of expense, either to prepare him for the field, or to maintain him while he is in it.

Among nations of shepherds, a more advanced state of society, such as we find it among the Tartars and Arabs, every man is, in the same manner, a warrior. Such nations have commonly no fixed habitation, but live either in tents or in a sort of covered waggons, which are easily transported from place to place. The whole tribe or nation

changes its situation according to the different seasons of the year, as well as according to other accidents. When its herds and flocks have consumed the forage of one part of the country, it removes to another, and from that to a third. In the dry season, it comes down to the banks of the rivers; in the wet season, it retires to the upper country. When such a nation goes to war, the warriors will not trust their herds and flocks to the feeble defence of their old men, their women and children; and their old men, their women and children, will not be left without defence, and without subsistence. The whole nation, besides, being accustomed to a wandering life, even in time of peace, easily takes the field in time of war. Whether it marches as an army, or moves about as a company of herdsmen, the way of life is nearly the same, though the object proposed by it be very different. They all go to war together, therefore, and every one does as well as he can. Among the Tartars, even the women have been frequently known to engage in battle. If they conquer, whatever belongs to the hostile tribe is the recompense of the victory; but if they are vanquished, all is lost, and not only their herds and flocks, but their women and children become the booty of the conqueror. Even the greater part of those who survive the action are obliged to submit to him, for the sake of immediate subsistence. The rest are commonly dissipated and dispersed in the desert.

The ordinary life, the ordinary exercises of a Tartar or Arab, prepare him sufficiently for war. Running, wrestling, cudgel-playing, throwing the javelin, drawing the bow, &c. are the common pastimes of those who live in the open air, and are all of them the images of war. When a Tartar or Arab actually goes to war, he is maintained by his own herds and flocks, which he carries with him, in the same manner as in peace. His chief or sovereign—for those nations have all chiefs or sovereigns—is at no sort of expense in preparing him for the field; and when he is in it, the chance of plunder is the only pay which he either expects or requires.

An army of hunters can seldom exceed two or three hundred men. The precarious subsistence which the chase affords could seldom allow a greater number to keep together for any considerable time. An army of shepherds, on the contrary, may sometimes amount to two or three thousand. As long as nothing stops their progress, as long as they can go on from one district, of which they have consumed the forage, to another which is yet entire, there seems to be scarce any limit to the number who can march on together. A nation of hunters can never be formidable to the civilised nations in their neighbourhood. A nation of shepherds may. Nothing can be more contemptible than an Indian war in North America. Nothing, on the contrary, can be more dreadful than a Tartar invasion has frequently been in Asia. The judgment of Thucydides, that both Europe and Asia could not resist the Scythians united, has been verified by the experience of all ages. The inhabitants of the extensive but defenceless plains of Scythia or Tartary have been frequently united under the dominion of the chief of some conquering horde or clan; and the havoc and devastation of Asia have always signalised their union. The inhabitants of the inhospitable deserts of Arabia, the other great nation of shepherds, have never been united but once, — under Mahomet and his immediate successors. Their union, which was more the effect of religious enthusiasm than of conquest, was signalised in the same manner. If the hunting nations of America should ever become shepherds, their neighbourhood would be much more dangerous to the European colonies than it is at present.

In a yet more advanced state of society, among those nations of husbandmen who have little foreign commerce, and no other manufactures but those coarse and household ones which almost every private family prepares for its own use, every man, in the same manner, either is a warrior, or easily becomes such. Those who live by agriculture generally pass the whole day in the open air, exposed to all the inclemencies of the seasons. The hardiness of their ordinary life prepares them for the fatigues of war, to some of which their necessary occupations bear a great analogy. The necessary occupation of a ditcher prepares him to work in the trenches, and to fortify a camp, as well as to enclose a field. The ordinary pastimes of such husbandmen are the same as those of shepherds, and are in the same manner the images of war. But as husbandmen have less leisure than shepherds, they are not so frequently employed in those pastimes. They are soldiers, but soldiers not quite so much masters of their exercise. Such as they are, however, it seldom costs the sovereign or commonwealth any expense to prepare them for the field.

Agriculture, even in its rudest and lowest state, supposes a settlement; some sort of fixed habitation which cannot be abandoned without great loss. When a nation of mere husbandmen, therefore, goes to war, the whole people cannot take the field together. The old men, the women and children, at least, must remain at home to take care of the habitation. All the men of the military age, however, may take the field, and, in small nations of this kind, have frequently done so. In every nation, the men of the military age are supposed to amount to about a fourth

or a fifth part of the whole body of the people. If the campaign too should begin after seed-time, and end before harvest, both the husbandman and his principal labourers can be spared from the farm without much loss. He trusts that the work which must be done in the mean time, can be well enough executed by the old men, the women and the children. He is not unwilling, therefore, to serve without pay during a short campaign, and it frequently costs the sovereign or commonwealth as little to maintain him in the field as to prepare him for it. The citizens of all the different states of ancient Greece seem to have served in this manner till after the second Persian war; and the people of Peloponnesus till after the Peloponnesian war. The Peloponnesians, Thucydides observes, generally left the field in the summer, and returned home to reap the harvest. The Roman people, under their kings and during the first ages of the republic, served in the same manner. It was not till the siege of Veii, that they who staid at home began to contribute something towards maintaining those who went to war. In the European monarchies, which were founded upon the ruins of the Roman empire, both before and for some time after the establishment of what is properly called the feudal law, the great lords, with all their immediate dependents, used to serve the crown at their own expense. In the field, in the same manner as at home, they maintained themselves by their own revenue, and not by any stipend or pay which they received from the king upon that particular occasion.

In a more advanced state of society, two different causes contribute to render it altogether impossible that they who take the field should maintain themselves at their own expense. Those two causes are, the progress of manufactures, and the improvement in the art of war.

Though a husbandman should be employed in an expedition, provided it begins after seed-time and ends before harvest, the interruption of his business will not always occasion any considerable diminution of his revenue. Without the intervention of his labour, nature does herself the greater part of the work which remains to be done. But the moment that an artificer, a smith, a carpenter, or a weaver, for example, quits his workhouse, the sole source of his revenue is completely dried up. Nature does nothing for him; he does all for himself. When he takes the field, therefore, in defence of the public, as he has no revenue to maintain himself, he must necessarily be maintained by the public. But in a country, of which a great part of the inhabitants are artificers and manufacturers, a great part of the people who go to war must be drawn from those classes, and must therefore be maintained by the public as long as they are employed in its service.

When the art of war too has gradually grown up to be a very intricate and complicated science, when the event of war ceases to be determined, as in the first ages of society, by a single irregular skirmish or battle, but when the contest is generally spun out through several different campaigns, each of which lasts during the greater part of the year; it becomes universally necessary that the public should maintain those who serve the public in war, at least while they are employed in that service. Whatever, in time of peace, might be the ordinary occupation of those who go to war, so very tedious and expensive a service would otherwise be by far too heavy a burden upon them. After the second Persian war, accordingly, the armies of Athens seem to have been generally composed of mercenary troops; consisting, indeed, partly of citizens, but partly too of foreigners; and all of them equally hired and paid at the expense of the state. From the time of the siege of Veii, the armies of Rome received pay for their service during the time which they remained in the field. Under the feudal governments, the military service both of the great lords and of their immediate dependents was, after a certain period, universally exchanged for a payment in money, which was employed to maintain those who served in their stead.

The number of those who can go to war, in proportion to the whole number of the people, is necessarily much smaller in a civilised than in a rude state of society. In a civilised society, as the soldiers are maintained altogether by the labour of those who are not soldiers, the number of the former can never exceed what the latter can maintain, over and above maintaining, in a manner suitable to their respective stations, both themselves and the other officers of government and law, whom they are obliged to maintain. In the little agrarian states of ancient Greece, a fourth or a fifth part of the whole body of the people considered themselves as soldiers, and would sometimes, it is said, take the field. Among the civilised nations of modern Europe, it is commonly computed, that not more than one hundredth part of the inhabitants of any country can be employed as soldiers, without ruin to the country which pays the expense of their service.

The expense of preparing the army for the field seems not to have become considerable in any nation, till long after that of maintaining it in the field had devolved entirely upon the sovereign or commonwealth. In all the different republics of ancient Greece, to learn his military exercises, was a necessary part of education imposed by the state upon every free citizen.

In every city there seems to have been a public field, in which, under the protection of the public magistrate, the young people were taught their different exercises by different masters. In this very simple institution, consisted the whole expense which any Grecian state seems ever to have been at, in preparing its citizens for war. In ancient Rome, the exercises of the Campus Martius answered the same purpose with those of the Gymnasium in ancient Greece. Under the feudal governments, the many public ordinances, that the citizens of every district should practise archery, as well as several other military exercises, were intended for promoting the same purpose, but do not seem to have promoted it so well. Either from want of interest in the officers intrusted with the execution of those ordinances, or from some other cause, they appear to have been universally neglected; and in the progress of all those governments, military exercises seem to have gone gradually into disuse among the great body of the people.

In the republics of ancient Greece and Rome, during the whole period of their existence, and under the feudal governments, for a considerable time after their first establishment, the trade of a soldier was not a separate, distinct trade, which constituted the sole or principal occupation of a particular class of citizens. Every subject of the state, whatever might be the ordinary trade or occupation by which he gained his livelihood, considered himself, upon all ordinary occasions, as fit likewise to exercise the trade of a soldier, and, upon many extraordinary occasions, as bound to exercise it.

The art of war, however, as it is certainly the noblest of all arts, so in the progress of improvement it necessarily becomes one of the most complicated among them. The state of the mechanical, as well as of some other arts, with which it is necessarily connected, determines the degree of perfection to which it is capable of being carried at any particular time. But in order to carry it to this degree of perfection, it is necessary that it should become the sole or principal occupation of a particular class of citizens; and the division of labour is as necessary for the improvement of this as of every other art. Into other arts the division of labour is naturally introduced by the prudence of individuals, who find that they promote their private interest better by confining themselves to a particular trade, than by exercising a great number. But it is the wisdom of the state only which can render the trade of a soldier a particular trade, separate and distinct from all others. A private citizen who, in time of profound peace, and without any particular encouragement from the public, should spend the greater part of his time in military exercises, might, no doubt, both improve himself very much in them, and amuse himself very well; but he certainly would not promote his own interest. It is the wisdom of the state only which can render it for his interest to give up the greater part of his time to this peculiar occupation; and states have not always had this wisdom, even when their circumstances had become such that the preservation of their existence required that they should have it.

A shepherd has a great deal of leisure; a husbandman, in the rude state of husbandry, has some; an artificer or manufacturer has none at all. The first may, without any loss, employ a great deal of his time in martial exercises; the second may employ some part of it; but the last cannot employ a single hour in them without some loss, and his attention to his own interest naturally leads him to neglect them altogether. Those improvements in husbandry, too, which the progress of arts and manufactures necessarily introduces, leave the husbandman as little leisure as the artificer. Military exercises come to be as much neglected by the inhabitants of the country as by those of the town, and the great body of the people becomes altogether unwarlike. That wealth, at the same time, which always follows the improvements of agriculture and manufactures, and which in reality is no more than the accumulated produce of those improvements, provokes the invasion of all their neighbours. An industrious, and upon that account a wealthy nation, is of all nations the most likely to be attacked; and unless the state takes some new measures for the public defence, the natural habits of the people render them altogether incapable of defending themselves.

In these circumstances, there seem to be but two methods by which the state can make any tolerable provision for the public defence.

It may either, first, by means of a very rigorous police, and in spite of the whole bent of the interest, genius, and inclinations of the people, enforce the practice of military exercises, and oblige either all the citizens of the military age, or a certain number of them, to join in some measure the trade of a soldier to whatever other trade or profession they may happen to carry on.

Or, secondly, by maintaining and employing a certain number of citizens in the constant practice of military exercises, it may render the trade of a soldier a particular trade, separate and distinct from all others.

If the state has recourse to the first of those two expedients, its military force is said to consist in a militia; if to the second, it is said to consist in a standing army. The practice of military exercises is the sole or principal occupation of the soldiers of a standing army, and the maintenance or pay

which the state affords them is the principal and ordinary fund of their subsistence. The practice of military exercises is only the occasional occupation of the soldiers of a militia, and they derive the principal and ordinary fund of their subsistence from some other occupation. In a militia, the character of the labourer, artificer, or tradesman, predominates over that of the soldier; in a standing army, that of the soldier predominates over every other character; and in this distinction seems to consist the essential difference between those two different species of military force.

Militias have been of several different kinds. In some countries, the citizens destined for defending the state seem to have been exercised only, without being, if I may say so, regimented; that is, without being divided into separate and distinct bodies of troops, each of which performed its exercises under its own proper and permanent officers. In the republics of ancient Greece and Rome, each citizen, as long as he remained at home, seems to have practised his exercises either separately and independently, or with such of his equals as he liked best; and not to have been attached to any particular body of troops till he was actually called upon to take the field. In other countries, the militia has not only been exercised but regimented. In England, in Switzerland, and, I believe, in every other country of modern Europe, where any imperfect military force of this kind has been established, every militia-man is, even in time of peace, attached to a particular body of troops, which performs its exercises under its own proper and permanent officers.

Before the invention of fire-arms, that army was superior in which the soldiers had, each individually, the greatest skill and dexterity in the use of their arms. Strength and agility of body were of the highest consequence, and commonly determined the fate of battles. But this skill and dexterity in the use of their arms could be acquired only, in the same manner as fencing is at present, by practising, not in great bodies, but each man separately, in a particular school, under a particular master, or with his own particular equals and companions. Since the invention of fire-arms, strength and agility of body, or even extraordinary dexterity and skill in the use of arms, though they are far from being of no consequence, are however of less consequence. The nature of the weapon, though it by no means puts the awkward upon a level with the skilful, puts him more nearly so than he ever was before. All the dexterity and skill, it is supposed, which are necessary for using it, can be well enough acquired by practising in great bodies.

Regularity, order, and prompt obedience to command, are qualities which, in modern armies, are of more importance towards determining the fate of battles, than the dexterity and skill of the soldiers in the use of their arms. But the noise of fire-arms, the smoke, and the invisible death to which every man feels himself every moment exposed, as soon as he comes within cannon-shot, and frequently a long time before the battle can be well said to be engaged, must render it very difficult to maintain any considerable degree of this regularity, order, and prompt obedience, even in the beginning of a modern battle.

In an ancient battle, there was no noise but what arose from the human voice; there was no smoke, there was no invisible cause of wounds or death. Every man, till some mortal weapon actually did approach him, saw clearly that no such weapon was near him. In these circumstances, and among troops who had some confidence in their own skill and dexterity in the use of their arms, it must have been a good deal less difficult to preserve some degree of regularity and order, not only in the beginning, but through the whole progress of an ancient battle, and till one of the two armies was fairly defeated. But the habits of regularity, order, and prompt obedience to command, can be acquired only by troops which are exercised in great bodies.

A militia, however, in whatever manner it may be either disciplined or exercised, must always be much inferior to a well-disciplined and well-exercised standing army.

The soldiers who are exercised only once a week, or once a month, can never be so expert in the use of their arms as those who are exercised every day, or every other day; and though this circumstance may not be of so much consequence in modern, as it was in ancient times, yet the acknowledged superiority of the Prussian troops, owing, it is said, very much to their superior expertness in their exercise, may satisfy us that it is, even at this day, of very considerable consequence.

The soldiers who are bound to obey their officer only once a week or once a month, and who are at all other times at liberty to manage their own affairs their own way, without being in any respect accountable to him, can never be under the same awe in his presence, can never have the same disposition to ready obedience, with those whose whole life and conduct are every day directed by him, and who every day even rise and go to bed, or at least retire to their quarters, according to his orders. In what is called discipline, or in the habit of ready obedience, a militia must always be still more inferior to a standing army, than it may sometimes be in what is called the manual exercise, or in the management and use of its arms. But, in modern

war, the habit of ready and instant obedience is of much greater consequence than a considerable superiority in the management of arms

Those militias which, like the Tartar or Arab militia, go to war under the same chieftains whom they are accustomed to obey in peace, are by far the best. In respect for their officers, in the habit of ready obedience, they approach nearest to standing armies. The highland militia, when it served under its own chieftains, had some advantage of the same kind. As the highlanders, however, were not wandering, but stationary shepherds, as they had all a fixed habitation, and were not, in peaceable times, accustomed to follow their chieftain from place to place; so in time of war they were less willing to follow him to any considerable distance, or to continue for any long time in the field. When they had acquired any booty, they were eager to return home, and his authority was seldom sufficient to detain them. In point of obedience they were always much inferior to what is reported of the Tartars and Arabs. As the highlanders, too, from their stationary life, spend less of their time in the open air, they were always less accustomed to military exercises, and were less expert in the use of their arms than the Tartars and Arabs are said to be.

A militia of any kind, it must be observed, however, which has served for several successive campaigns in the field, becomes in every respect a standing army. The soldiers are every day exercised in the use of their arms, and, being constantly under the command of their officers, are habituated to the same prompt obedience which takes place in standing armies. What they were before they took the field, is of little importance. They necessarily become in every respect a standing army, after they have passed a few campaigns in it. Should the war in America drag out through another campaign, the American militia may become in every respect a match for that standing army, of which the valour appeared, in the last war, at least not inferior to that of the hardiest veterans of France and Spain.

This distinction being well understood, the history of all ages, it will be found, bears testimony to the irresistible superiority which a well-regulated standing army has over a militia.

One of the first standing armies of which we have any distinct account in any well-authenticated history, is that of Philip of Macedon. His frequent wars with the Thracians, Illyrians, Thessalians, and some of the Greek cities in the neighbourhood of Macedon, gradually formed his troops, which in the beginning were probably militia, to the exact discipline of a standing army. When he was at peace, which he was very seldom, and never for any long time together, he was careful not to disband that army. It vanquished and subdued, after a long and violent struggle indeed, the gallant and well-exercised militias of the principal republics of ancient Greece; and afterwards, with very little struggle, the effeminate and ill-exercised militia of the great Persian empire. The fall of the Greek republics, and of the Persian empire, was the effect of the irresistible superiority which a standing army has over every other sort of militia. It is the first great revolution in the affairs of mankind of which history has preserved any distinct or circumstantial account.

The fall of Carthage, and the consequent elevation of Rome is the second. All the varieties in the fortune of those two famous republics may very well be accounted for from the same cause.

From the end of the first to the beginning of the second Carthaginian war, the armies of Carthage were continually in the field, and employed under three great generals, who succeeded one another in the command; Amilcar, his son-in-law Asdrubal, and his son Annibal; first in chastising their own rebellious slaves, afterwards in subduing the revolted nations of Africa, and lastly, in conquering the great kingdom of Spain. The army which Annibal led from Spain into Italy must necessarily, in those different wars, have been gradually formed to the exact discipline of a standing army. The Romans, in the mean time, though they had not been altogether at peace, yet they had not, during this period, been engaged in any war of very great consequence; and their military discipline, it is generally said, was a good deal relaxed. The Roman armies which Annibal encountered at Trebia, Thrasymenus, and Cannæ, were militia opposed to a standing army. This circumstance, it is probable, contributed more than any other to determine the fate of those battles.

The standing army which Annibal left behind him in Spain, had the like superiority over the militia which the Romans sent to oppose it; and in a few years, under the command of his brother, the younger Asdrubal, expelled them almost entirely from that country.

Annibal was ill supplied from home. The Roman militia, being continually in the field, became, in the progress of the war, a well-disciplined and well-exercised standing army; and the superiority of Annibal grew every day less and less. Asdrubal judged it necessary to lead the whole or almost the whole of the standing army which he commanded in Spain, to the assistance of his brother in Italy. In this march he is said to have been misled by his guides; and in a country which he did not know, was sur-

prised and attacked by another standing army, in every respect equal or superior to his own, and was entirely defeated.

When Asdrubal had left Spain, the great Scipio found nothing to oppose him but a militia inferior to his own. He conquered and subdued that militia, and, in the course of the war, his own militia necessarily became a well-disciplined and well-exercised standing army. That standing army was afterwards carried to Africa, where it found nothing but a militia to oppose it. In order to defend Carthage, it became necessary to recall the standing army of Annibal. The disheartened and frequently defeated African militia joined it, and, at the battle of Zama, composed the greater part of the troops of Annibal. The event of that day determined the fate of the two rival republics.

From the end of the second Carthaginian war till the fall of the Roman republic, the armies of Rome were in every respect standing armies. The standing army of Macedon made some resistance to their arms. In the height of their grandeur, it cost them two great wars, and three great battles, to subdue that little kingdom; of which the conquest would probably have been still more difficult, had it not been for the cowardice of its last king. The militias of all the civilised nations of the ancient world, of Greece, of Syria, and of Egypt, made but a feeble resistance to the standing armies of Rome. The militias of some barbarous nations defended themselves much better. The Scythian or Tartar militia, which Mithridates drew from the countries north of the Euxine and Caspian seas, were the most formidable enemies whom the Romans had to encounter after the second Carthaginian war. The Parthian and German militias too were always respectable, and, upon several occasions, gained very considerable advantages over the Roman armies. In general, however, and when the Roman armies were well commanded, they appear to have been very much superior; and if the Romans did not pursue the final conquest either of Parthia or Germany, it was probably because they judged that it was not worth while to add those two barbarous countries to an empire which was already too large. The ancient Parthians appear to have been a nation of Scythian or Tartar extraction, and to have always retained a good deal of the manners of their ancestors. The ancient Germans were, like the Scythians or Tartars, a nation of wandering shepherds, who went to war under the same chiefs whom they were accustomed to follow in peace. Their militia was exactly of the same kind with that of the Scythians or Tartars, from whom too they were probably descended.

Many different causes contributed to relax the discipline of the Roman armies. Its extreme severity was perhaps one of those causes. In the days of their grandeur, when no enemy appeared capable of opposing them, their heavy armour was laid aside as unnecessarily burdensome, their laborious exercises were neglected, as unnecessarily toilsome. Under the Roman emperors, besides, the standing armies of Rome, those particularly which guarded the German and Pannonian frontiers, became dangerous to their masters, against whom they used frequently to set up their own generals. In order to render them less formidable, according to some authors, Dioclesian, according to others, Constantine, first withdrew them from the frontier, where they had always before been encamped in great bodies, generally of two or three legions each, and dispersed them in small bodies through the different provincial towns, from whence they were scarce ever removed but when it became necessary to repel an invasion. Small bodies of soldiers, quartered in trading and manufacturing towns, and seldom removed from those quarters, became themselves tradesmen, artificers, and manufacturers. The civil came to predominate over the military character; and the standing armies of Rome gradually degenerated into a corrupt, neglected, and undisciplined militia, incapable of resisting the attack of the German and Scythian militias, which soon afterwards invaded the western empire. It was only by hiring the militia of some of those nations to oppose that of others, that the emperors were for some time able to defend themselves. The fall of the western empire is the third great revolution in the affairs of mankind, of which ancient history has preserved any distinct or circumstantial account. It was brought about by the irresistible superiority which the militia of a barbarous has over that of a civilised nation; which the militia of a nation of shepherds has over that of a nation of husbandmen, artificers, and manufacturers. The victories which have been gained by militias have generally been, not over standing armies, but over other militias, in exercise and discipline inferior to themselves. Such were the victories which the Greek militia gained over that of the Persian empire; and such too were those which, in later times, the Swiss militia gained over that of the Austrians and Burgundians.

The military force of the German and Scythian nations, who established themselves upon the ruins of the western empire, continued for some time to be of the same kind in their new settlements, as it had been in their original country. It was a militia of shepherds and husbandmen, which in time of war took the field under the command of the same chieftains whom it was accustomed to obey in peace. It was, therefore, toler-

ably well exercised, and tolerably well disciplined. As arts and industry advanced, however, the authority of the chieftains gradually decayed, and the great body of the people had less time to spare for military exercises. Both the discipline and the exercise of the feudal militia, therefore, went gradually to ruin, and standing armies were gradually introduced to supply the place of it. When the expedient of a standing army, besides, had once been adopted by one civilised nation, it became necessary that all its neighbours should follow the example. They soon found that their safety depended upon their doing so, and that their own militia was altogether incapable of resisting the attack of such an army.

The soldiers of a standing army, though they may never have seen an enemy, yet have frequently appeared to possess all the courage of veteran troops, and, the very moment that they took the field, to have been fit to face the hardiest and most experienced veterans. In 1756, when the Russian army marched into Poland, the valour of the Russian soldiers did not appear inferior to that of the Prussians, at that time supposed to be the hardiest and most experienced veterans in Europe. The Russian empire, however, had enjoyed a profound peace for near twenty years before, and could at that time have very few soldiers who had ever seen an enemy. When the Spanish war broke out in 1739, England had enjoyed a profound peace for about eight and twenty years. The valour of her soldiers, however, far from being corrupted by that long peace, was never more distinguished than in the attempt upon Carthagena, the first unfortunate exploit of that unfortunate war. In a long peace the generals, perhaps, may sometimes forget their skill; but where a well-regulated standing army has been kept up, the soldiers seem never to forget their valour.

When a civilised nation depends for its defence upon a militia, it is at all times exposed to be conquered by any barbarous nation which happens to be in its neighbourhood. The frequent conquests of all the civilised countries in Asia by the Tartars, sufficiently demonstrates the natural superiority which the militia of a barbarous has over that of a civilised nation. A well-regulated standing army is superior to every militia. Such an army, as it can best be maintained by an opulent and civilised nation, so it can alone defend such a nation against the invasion of a poor and barbarous neighbour. It is only by means of a standing army, therefore, that the civilisation of any country can be perpetuated, or even preserved for any considerable time.

As it is only by means of a well-regulated standing army that a civilised country can be defended, so it is only by means of it that a barbarous country can be suddenly and tolerably civilised. A standing army establishes, with an irresistible force, the law of the sovereign through the remotest provinces of the empire, and maintains some degree of regular government in countries which could not otherwise admit of any. Whoever examines with attention the improvements which Peter the Great introduced into the Russian empire, will find that they almost all resolve themselves into the establishment of a well-regulated standing army. It is the instrument which executes and maintains all his other regulations. That degree of order and internal peace, which that empire has ever since enjoyed, is altogether owing to the influence of that army.

Men of republican principles have been jealous of a standing army, as dangerous to liberty. It certainly is so, wherever the interest of the general and that of the principal officers are not necessarily connected with the support of the constitution of the state. The standing army of Cæsar destroyed the Roman republic. The standing army of Cromwell turned the long parliament out of doors. But where the sovereign is himself the general, and the principal nobility and gentry of the country the chief officers of the army; where the military force is placed under the command of those who have the greatest interest in the support of the civil authority, because they have themselves the greatest share of that authority, a standing army can never be dangerous to liberty. On the contrary, it may in some cases be favourable to liberty. The security which it gives to the sovereign renders unnecessary that troublesome jealousy which, in some modern republics, seems to watch over the minutest actions, and to be at all times ready to disturb the peace of every citizen. Where the security of the magistrate, though supported by the principal people of the country, is endangered by every popular discontent; where a small tumult is capable of bringing about in a few hours a great revolution, the whole authority of government must be employed to suppress and punish every murmur and complaint against it. To a sovereign, on the contrary, who feels himself supported, not only by the natural aristocracy of the country, but by a well-regulated standing army, the rudest, the most groundless, and the most licentious remonstrances can give little disturbance. He can safely pardon or neglect them, and his consciousness of his own superiority naturally disposes him to do so. That degree of liberty which approaches to licentiousness, can be tolerated only in countries where the sovereign is secured by a well-regulated standing army. It is in such countries only that the public safety does not require that the sovereign should be trusted with any dis-

cretionary power, for suppressing even the impertinent wantonness of this licentious liberty.

The first duty of the sovereign, therefore, that of defending the society from the violence and injustice of other independent societies, grows gradually more and more expensive as the society advances in civilisation. The military force of the society, which originally cost the sovereign no expense either in time of peace or in time of war, must, in the progress of improvement, first be maintained by him in time of war, and afterwards even in time of peace.

The great change introduced into the art of war by the invention of fire-arms has enhanced still further both the expense of exercising and disciplining any particular number of soldiers in time of peace, and that of employing them in time of war. Both their arms and their ammunition are become more expensive. A musket is a more expensive machine than a javelin or a bow and arrows; a cannon or a mortar, than a balista or a catapulta. The powder which is spent in a modern review is lost irrecoverably, and occasions a very considerable expense. The javelins and arrows which were thrown or shot in an ancient one could easily be picked up again, and were besides of very little value. The cannon and the mortar are not only much dearer, but much heavier machines than the balista or catapulta, and require a greater expense, not only to prepare them for the field, but to carry them to it. As the superiority of the modern artillery, too, over that of the ancients, is very great, it has become much more difficult, and consequently much more expensive, to fortify a town so as to resist even for a few weeks the attack of that superior artillery. In modern times, many different causes contribute to render the defence of the society more expensive. The unavoidable effects of the natural progress of improvement have, in this respect, been a good deal enhanced by a great revolution in the art of war, to which a mere accident, the invention of gunpowder, seems to have given occasion.

In modern war, the great expense of fire-arms gives an evident advantage to the nation which can best afford that expense; and consequently to an opulent and civilised, over a poor and barbarous nation. In ancient times, the opulent and civilised found it difficult to defend themselves against the poor and barbarous nations. In modern times, the poor and barbarous find it difficult to defend themselves against the opulent and civilised. The invention of fire-arms, an invention which at first sight appears to be so pernicious, is certainly favourable both to the permanency and to the extension of civilisation.

PART II.

Of the Expense of Justice.

THE second duty of the sovereign, that of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice, requires, too, very different degrees of expense in the different periods of society.

Among nations of hunters, as there is scarce any property, or at least none that exceeds the value of two or three days' labour, so there is seldom any established magistrates, or any regular administration of justice. Men who have no property can injure one another only in their persons or reputations. But when one man kills, wounds, beats, or defames another, though he to whom the injury is done suffers, he who does it receives no benefit. It is otherwise with the injuries to property. The benefit of the person who does the injury is often equal to the loss of him who suffers it. Envy, malice, or resentment, are the only passions which can prompt one man to injure another in his person or reputation. But the greater part of men are not very frequently under the influence of those passions, and the very worst men are so only occasionally. As their gratification too, how agreeable soever it may be to certain characters, is not attended with any real or permanent advantage, it is, in the greater part of men, commonly restrained by prudential considerations. Men may live together in society with some tolerable degree of security, though there is no civil magistrate to protect them from the injustice of those passions. But avarice and ambition in the rich, in the poor the hatred of labour and the love of present ease and enjoyment, are the passions which prompt to invade property; passions much more steady in their operation, and much more universal in their influence. Wherever there is great property there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy, to invade his possessions. It is only under the shelter of the civil magistrate that the owner of that valuable property which is acquired by the labour of many years, or perhaps of many successive generations, can sleep a single night in security. He is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate,

continually held up to chastise it. The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government. Where there is no property, or at least none that exceeds the value of two or three days' labour, civil government is not so necessary.

Civil government supposes a certain subordination. But as the necessity of civil government gradually grows up with the acquisition of valuable property, so the principal causes which naturally introduce subordination gradually grow up with the growth of that valuable property.

The causes or circumstances which naturally introduce subordination, or which naturally and antecedent to any civil institution, give some men some superiority over the greater part of their brethren, seem to be four in number.

The first of those causes or circumstances is the superiority of personal qualifications, of strength, beauty, and agility of body; of wisdom and virtue, of prudence, justice, fortitude, and moderation of mind. The qualifications of the body, unless supported by those of the mind, can give little authority in any period of society. He is a very strong man, who, by mere strength of body, can force two weak ones to obey him. The qualifications of the mind can alone give very great authority. They are, however, invisible qualities; always disputable, and generally disputed. No society, whether barbarous or civilised, has ever found it convenient to settle the rules of precedency of rank and subordination, according to those invisible qualities; but according to something that is more plain and palpable.

The second of those causes or circumstances is the superiority of age. An old man, provided his age is not so far advanced as to give suspicion of dotage, is everywhere more respected than a young man of equal rank, fortune, and abilities. Among nations of hunters, such as the native tribes of North America, age is the sole foundation of rank and precedency. Among them, father is the appellation of a superior; brother, of an equal; and son, of an inferior. In the most opulent and civilised nations, age regulates rank among those who are in every other respect equal, and among whom, therefore, there is nothing else to regulate it. Among brothers and among sisters, the eldest always takes place; and in the succession of the paternal estate, every thing which cannot be divided, but must go entire to one person, such as a title of honour, is in most cases given to the eldest. Age is a plain and palpable quality which admits of no dispute.

The third of those causes or circumstances is the superiority of fortune. The authority of riches, however, though great in every age of society, is perhaps greatest in the rudest age of society which admits of any considerable inequality of fortune. A Tartar chief, the increase of whose herds and flocks is sufficient to maintain a thousand men, cannot well employ that increase in any other way than in maintaining a thousand men. The rude state of his society does not afford him any manufactured produce, any trinkets or baubles of any kind, for which he can exchange that part of his rude produce which is over and above his own consumption. The thousand men whom he thus maintains, depending entirely upon him for their subsistence, must both obey his orders in war, and submit to his jurisdiction in peace. He is necessarily both their general and their judge, and his chieftainship is the necessary effect of the superiority of his fortune. In an opulent and civilised society, a man may possess a much greater fortune, and yet not be able to command a dozen of people. Though the produce of his estate may be sufficient to maintain, and may perhaps actually maintain, more than a thousand people, yet, as those people pay for every thing which they get from him, as he gives scarce any thing to any body, but in exchange for an equivalent, there is scarce any body who considers himself as entirely dependent upon him, and his authority extends only over a few menial servants. The authority of fortune, however, is very great even in an opulent and civilised society. That it is much greater than that either of age or of personal qualities, has been the constant complaint of every period of society which admitted of any considerable inequality of fortune. The first period of society, that of hunters, admits of no such inequality. Universal poverty establishes their universal equality; and the superiority either of age or of personal qualities are the feeble but the sole foundations of authority and subordination. There is therefore little or no authority or subordination in this period of society. The second period of society, that of shepherds, admits of very great inequalities of fortune, and there is no period in which the superiority of fortune gives so great authority to those who possess it. There is no period, accordingly, in which authority and subordination are more perfectly established. The authority of an Arabian scherif is very great; that of a Tartar khan altogether despotical.

The fourth of those causes or circumstances is the superiority of *birth*. Superiority of birth supposes an ancient superiority of fortune in the family of the person who claims it. All families are equally ancient; and the ancestors of the prince though they may be better known, cannot well be more numerous than those of the beggar. Antiquity of family means everywhere the antiquity either of wealth, or of

that greatness which is commonly either founded upon wealth, or accompanied with it. Upstart greatness is everywhere less respected than ancient greatness. The hatred of usurpers, the love of the family of an ancient monarch, are in a great measure founded upon the contempt which men naturally have for the former, and upon their veneration for the latter. As a military officer submits, without reluctance, to the authority of a superior by whom he has always been commanded, but cannot bear that his inferior should be set over his head; so men easily submit to a family to whom they and their ancestors have always submitted; but are fired with indignation when another family, in whom they had never acknowledged any such superiority, assumes a dominion over them.

The distinction of birth, being subsequent to the inequality of fortune, can have no place in nations of hunters, among whom all men, being equal in fortune, must likewise be very nearly equal in birth. The son of a wise and brave man may, indeed, even among them, be somewhat more respected than a man of equal merit who has the misfortune to be the son of a fool or a coward. The difference, however, will not be very great; and there never was, I believe, a great family in the world whose illustration was entirely derived from the inheritance of wisdom and virtue.

The distinction of birth not only may, but always does take place among nations of shepherds. Such nations are always strangers to every sort of luxury, and great wealth can scarce ever be dissipated among them by improvident profusion. There are no nations, accordingly, who abound more in families revered and honoured on account of their descent from a long race of great and illustrious ancestors; because there are no nations among whom wealth is likely to continue longer in the same families.

Birth and fortune are evidently the two circumstances which principally set one man above another. They are the two great sources of personal distinction, and are therefore the principal causes which naturally establish authority and subordination among men. Among nations of shepherds, both those causes operate with their full force. The great shepherd or herdsman, respected on account of his great wealth, and of the great number of those who depend upon him for subsistence, and revered on account of the nobleness of his birth, and of the immemorial antiquity of his illustrious family, has a natural authority over all the inferior shepherds or herdsman of his horde or clan. He can command the united force of a greater number of people than any of them. His military power is greater than that of any of them. In time of war they are all of them naturally disposed to muster themselves under his banner, rather than under that of any other person, and his birth and fortune thus naturally procure to him some sort of executive power. By commanding, too, the united force of a greater number of people than any of them, he is best able to compel any one of them who may have injured another to compensate the wrong. He is the person, therefore, to whom all those who are too weak to defend themselves naturally look up for protection. It is to him that they naturally complain of the injuries which they imagine have been done to them, and his interposition in such cases is more easily submitted to, even by the person complained of, than that of any other person would be. His birth and fortune thus naturally procure him some sort of judical authority.

It is in the age of shepherds, in the second period of society, that the inequality of fortune first begins to take place, and introduces among men a degree of authority and subordination which could not possibly exist before. It thereby introduces some degree of that civil government which is indispensably necessary for its own preservation; and it seems to do this naturally, and even independent of the consideration of that necessity. The consideration of that necessity comes, no doubt, afterwards to contribute very much to maintain and secure that authority and subordination. The rich, in particular, are necessarily interested to support that order of things, which can alone secure them in the possession of their own advantages. Men of inferior wealth combine to defend those of superior wealth in the possession of their property, in order that men of superior wealth may combine to defend them in the possession of theirs. All the inferior shepherds and herdsmen feel, that the security of their own herds and flocks depends upon the security of those of the great shepherd or herdsman; that the maintenance of their lesser authority depends upon that of his greater authority; and that upon their subordination to him depends his power of keeping their inferiors in subordination to them. They constitute a sort of little nobility, who feel themselves interested to defend the property and to support the authority of their own little sovereign, in order that he may be able to defend their property and to support their authority. Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.

The judicial authority of such a sovereign, however, far from being a cause of expense, was for a long time a source of revenue to him. The persons who applied to him for

Justice were always willing to pay for it, and a present never failed to accompany a petition. After the authority of the sovereign, too, was thoroughly established, the person found guilty, over and above the satisfaction which he was obliged to make to the party, was likewise forced to pay an amercement to the sovereign. He had given trouble, he had disturbed, he had broke the peace of his lord the king, and for those offences an amercement was thought due. In the Tartar governments of Asia, in the governments of Europe which were founded by the German and Scythian nations who overturned the Roman empire, the administration of justice was a considerable source of revenue, both to the sovereign and to all the lesser chiefs or lords who exercised under him any particular jurisdiction, either over some particular tribe or clan, or over some particular territory or district. Originally, both the sovereign and the inferior chiefs used to exercise this jurisdiction in their own persons. Afterwards, they universally found it convenient to delegate it to some substitute, bailiff, or judge. This substitute, however, was still obliged to account to his principal or constituent for the profits of the jurisdiction. Whoever reads the instructions[1] which were given to the judges of the circuit in the time of Henry II. will see clearly that those judges were a sort of itinerant factors, sent round the country for the purpose of levying certain branches of the king's revenue. In those days the administration of justice not only afforded a certain revenue to the sovereign, but to procure this revenue seems to have been one of the principal advantages which he proposed to obtain by the administration of justice.

This scheme of making the administration of justice subservient to the purposes of revenue, could scarce fail to be productive of several very gross abuses. The person who applied for justice with a large present in his hand, was likely to get something more than justice; while he who applied for it with a small one, was likely to get something less. Justice too might frequently be delayed, in order that this present might be repeated. The amercement, besides, of the person complained of, might frequently suggest a very strong reason for finding him in the wrong, even when he had not really been so. That such abuses were far from being uncommon, the ancient history of every country in Europe bears witness.

When the sovereign or chief exercised his judicial authority in his own person, how much soever he might abuse it, it must have been scarce possible to get any redress; because there could seldom be any body powerful enough to call him to account. When he exercised it by a bailiff, indeed, redress might sometimes be had. If it was for his own benefit only that the bailiff had been guilty of any act of injustice, the sovereign himself might not always be unwilling to punish him, or to oblige him to repair the wrong. But if it was for the benefit of his sovereign, if it was in order to make court to the person who appointed him and who might prefer him, that he had committed any act of oppression, redress would, upon most occasions, be as impossible as if the sovereign had committed it himself. In all barbarous governments, accordingly, in all those ancient governments of Europe in particular which were founded upon the ruins of the Roman empire, the administration of justice appears for a long time to have been extremely corrupt; far from being quite equal and impartial, even under the best monarchs, and altogether profligate under the worst.

Among nations of shepherds, where the sovereign or chief is only the greatest shepherd or herdsman of the horde or clan, he is maintained, in the same manner as any of his vassals or subjects, by the increase of his own herds or flocks. Among those nations of husbandmen who are but just come out of the shepherd state, and who are not much advanced beyond that state, — such as the Greek tribes appear to have been about the time of the Trojan war, and our German and Scythian ancestors when they first settled upon the ruins of the western empire, — the sovereign or chief is, in the same manner, only the greatest landlord of the country, and is maintained, in the same manner as any other landlord, by a revenue derived from his own private estate, or from what, in modern Europe, was called the demesne of the crown. His subjects, upon ordinary occasions, contribute nothing to his support, except when, in order to protect them from the oppression of some of their fellow-subjects, they stand in need of his authority. The presents which they make him upon such occasions, constitute the whole ordinary revenue, the whole of the emoluments which, except perhaps upon some very extraordinary emergencies, he derives from his dominion over them. When Agamemnon, in Homer, offers to Achilles for his friendship the sovereignty of seven Greek cities, the sole advantage which he mentions as likely to be derived from it was, that the people would honour him with presents. As long as such presents, as long as the emoluments of justice, or what may be called the fees of court, constituted in this manner the whole ordinary revenue which the sovereign derived from his sovereignty, it could not well be expected, it could not even decently be proposed, that he should give them up altogether. It might, and it frequently was pro-

[1] They are to be found in Tyrrel's History of England.

posed, that he should regulate and ascertain them. But after they had been so regulated and ascertained, how to hinder a person who was all-powerful from extending them beyond those regulations, was still very difficult, not to say impossible. During the continuance of this state of things, therefore, the corruption of justice, naturally resulting from the arbitrary and uncertain nature of those presents, scarce admitted of any effectual remedy.

But when from different causes, chiefly from the continually increasing expense of defending the nation against the invasion of other nations, the private estate of the sovereign had become altogether insufficient for defraying the expense of the sovereignty, and when it had become necessary that the people should, for their own security, contribute towards this expense by taxes of different kinds, it seems to have been very commonly stipulated, that no present for the administration of justice should, under any pretence, be accepted either by the sovereign, or by his bailiffs and substitutes the judges. Those presents, it seems to have been supposed, could more easily be abolished altogether than effectually regulated and ascertained. Fixed salaries were appointed to the judges, which were supposed to compensate to them the loss of whatever might have been their share of the ancient emoluments of justice; as the taxes more than compensated to the sovereign the loss of his. Justice was then said to be administered gratis.

Justice, however, never was in reality administered gratis in any country. Lawyers and attorneys at least must always be paid by the parties; and if they were not, they would perform their duty still worse than they actually perform it. The fees annually paid to lawyers and attorneys amount, in every court, to a much greater sum than the salaries of the judges. The circumstance of those salaries being paid by the crown, can nowhere much diminish the necessary expense of a lawsuit. But it was not so much to diminish the expense, as to prevent the corruption of justice, that the judges were prohibited from receiving any present or fee from the parties.

The office of judge is in itself so very honourable that men are willing to accept of it though accompanied with very small emoluments. The inferior office of justice of peace, though attended with a good deal of trouble, and in most cases with no emoluments at all, is an object of ambition to the greater part of our country gentlemen. The salaries of all the different judges, high and low, together with the whole expense of the administration and execution of justice, even where it is not managed with very good economy, makes, in any civilised country, but a very inconsiderable part of the whole expense of government.

The whole expense of justice too might easily be defrayed by the fees of court; and without exposing the administration of justice to any real hazard of corruption, the public revenue might thus be entirely discharged from a certain though perhaps but a small incumbrance. It is difficult to regulate the fees of court effectually, where a person so powerful as the sovereign is to share in them, and to derive any considerable part of his revenue from them. It is very easy where the judge is the principal person who can reap any benefit from them. The law can very easily oblige the judge to respect the regulation, though it might not always be able to make the sovereign respect it. Where the fees of court are precisely regulated and ascertained, where they are paid all at once at a certain period of every process into the hands of a cashier or receiver, to be by him distributed in certain known proportions among the different judges after the process is decided, and not till it is decided, there seems to be no more danger of corruption than where such fees are prohibited altogether. Those fees, without occasioning any considerable increase in the expense of a lawsuit, might be rendered fully sufficient for defraying the whole expense of justice. But not being paid to the judges till the process was determined, they might be some incitement to the diligence of the court in examining and deciding it. In courts which consisted of a considerable number of judges, by proportioning the share of each judge to the number of hours and days which he had employed in examining the process, either in the court or in a committee by order of the court, those fees might give some encouragement to the diligence of each particular judge. Public services are never better performed than when their reward comes only in consequence of their being performed, and is proportioned to the diligence employed in performing them. In the different parliaments of France, the fees of court (called épices and vacations) constitute the far greater part of the emoluments of the judges. After all deductions are made, the neat salary paid by the crown to a counsellor or judge in the parliament of Toulouse, in rank and dignity the second parliament of the kingdom, amounts only to a hundred and fifty livres, about six pounds eleven shillings sterling a year. About seven years ago, that sum was in the same place the ordinary yearly wages of a common footman. The distribution of these épices too is according to the diligence of the judges. A diligent judge gains a comfortable though moderate revenue by his office;

an idle one gets little more than his salary. Those parliaments are perhaps, in many respects, not very convenient courts of justice; but they have never been accused; they seem never even to have been suspected of corruption.

The fees of court seem originally to have been the principal support of the different courts of justice in England. Each court endeavoured to draw to itself as much business as it could, and was, upon that account, willing to take cognisance of many suits which were not originally intended to fall under its jurisdiction. The Court of King's Bench, instituted for the trial of criminal causes only, took cognisance of civil suits; the plaintiff pretending that the defendant, in not doing him justice, had been guilty of some trespass or misdemeanour. The court of exchequer, instituted for the levying of the king's revenue, and for enforcing the payment of such debts only as were due to the king, took cognisance of all other contract debts; the plaintiff alleging that he could not pay the king, because the defendant would not pay him. In consequence of such fictions it came, in many cases, to depend altogether upon the parties, before what court they would choose to have their cause tried; and each court endeavoured, by superior dispatch and impartiality, to draw to itself as many causes as it could. The present admirable constitution of the courts of justice in England was perhaps originally, in a great measure, formed by this emulation, which anciently took place between their respective judges; each judge endeavouring to give, in his own court, the speediest and most effectual remedy which the law would admit, for every sort of injustice. Originally, the courts of law gave damages only for breach of contract. The Court of Chancery, as a court of conscience, first took upon it to enforce the specific performance of agreements. When the breach of contract consisted in the nonpayment of money, the damage sustained could be compensated in no other way than by ordering payment, which was equivalent to a specific performance of the agreement. In such cases, therefore, the remedy of the courts of law was sufficient. It was not so in others. When the tenant sued his lord for having unjustly outed him of his lease, the damages which he recovered were by no means equivalent to the possession of the land. Such causes, therefore, for some time, went all to the Court of Chancery, to the no small loss of the courts of law. It was to draw back such causes to themselves that the courts of law are said to have invented the artificial and fictitious writ of ejectment, the most effectual remedy for an unjust outer or dispossession of land.

A stamp duty upon the law proceedings of each particular court, to be levied by that court, and applied towards the maintenance of the judges and other officers belonging to it, might, in the same manner, afford a revenue sufficient for defraying the expense of the administration of justice, without bringing any burden upon the general revenue of the society. The judges indeed might, in this case, be under the temptation of multiplying unnecessarily the proceedings upon every cause, in order to increase, as much as possible, the produce of such a stamp duty. It has been the custom in modern Europe to regulate, upon most occasions, the payment of the attorneys and clerks of court according to the number of pages which they had occasion to write; the court, however, requiring that each page should contain so many lines, and each line so many words. In order to increase their payment, the attorneys and clerks have contrived to multiply words beyond all necessity, to the corruption of the law language of, I believe, every court of justice in Europe. A like temptation might perhaps occasion a like corruption in the form of law proceedings.

But whether the administration of justice be so contrived as to defray its own expense, or whether the judges be maintained by fixed salaries paid to them from some other fund, it does not seem necessary that the person or persons intrusted with the executive power should be charged with the management of that fund, or with the payment of those salaries. That fund might arise from the rent of landed estates, the management of each estate being intrusted to the particular court which was to be maintained by it. That fund might arise even from the interest of a sum of money, the lending out of which might, in the same manner, be intrusted to the court which was to be maintained by it. A part, though indeed but a small part, of the salary of the judges of the court of session in Scotland, arises from the interest of a sum of money. The necessary instability of such a fund seems, however, to render it an improper one for the maintenance of an institution which ought to last for ever.

The separation of the judicial from the executive power, seems originally to have arisen from the increasing business of the society, in consequence of its increasing improvement. The administration of justice became so laborious and so complicated a duty, as to require the undivided attention of the person to whom it was intrusted. The person intrusted with the executive power, not having leisure to attend to the decision of private causes himself, a deputy was appointed to decide them in his stead. In the progress of the Roman greatness, the consul was too much occupied with the political affairs of the state to attend to the administration of justice. A pretor, there-

fore, was appointed to administer it in his stead. In the progress of the European monarchies which were founded upon the ruins of the Roman empire, the sovereigns and the great lords came universally to consider the administration of justice as an office both too laborious and too ignoble for them to execute in their own persons. They universally, therefore, discharged themselves of it by appointing a deputy, bailiff, or judge.

When the judicial is united to the executive power, it is scarce possible that justice should not frequently be sacrificed to what is vulgarly called politics. The persons intrusted with the great interests of the state may, even without any corrupt views, sometimes imagine it necessary to sacrifice to those interests the rights of a private man. But upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. In order to make every individual feel himself perfectly secure in the possession of every right which belongs to him, it is not only necessary that the judicial should be separated from the executive power, but that it should be rendered as much as possible independent of that power. The judge should not be liable to be removed from his office according to the caprice of that power. The regular payment of his salary should not depend upon the good will, or even upon the good economy of that power.

PART III.

Of the Expense of public Works and public Institutions.

THE third and last duty of the sovereign or commonwealth, is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are however of such a nature, that the profit could never repay the expense to any individual, or small number of individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain. The performance of this duty requires, too, very different degrees of expense in the different periods of society.

After the public institutions and public works necessary for the defence of the society, and for the administration of justice, both of which have already been mentioned, the other works and institutions of this kind are chiefly those for facilitating the commerce of the society, and those for promoting the instruction of the people. The institutions for instruction are of two kinds: those for the education of the youth, and those for the instruction of people of all ages. The consideration of the manner in which the expense of those different sorts of public works and institutions may be most properly defrayed will divide this third part of the present chapter into three different articles.

ARTICLE I.

Of the public Works and Institutions for facilitating the Commerce of the Society.

And, first, of those which are necessary for facilitating Commerce in general.

That the erection and maintenance of the public works which facilitate the commerce of any country, such as good roads, bridges, navigable canals, harbours, &c. must require very different degrees of expense in the different periods of society, is evident without any proof. The expense of making and maintaining the public roads of any country must evidently increase with the annual produce of the land and labour of that country, or with the quantity and weight of the goods which it becomes necessary to fetch and carry upon those roads. The strength of a bridge must be suited to the number and weight of the carriages which are likely to pass over it. The depth and the supply of water for a navigable canal must be proportioned to the number and tonnage of the lighters which are likely to carry goods upon it; the extent of a harbour to the number of the shipping which are likely to take shelter in it.

It does not seem necessary that the expense of those public works should be defrayed from that public revenue, as it is commonly called, of which the collection and application is, in most countries, assigned to the executive power. The greater part of such public works may easily be so managed as to afford a particular revenue, sufficient for defraying their own expense, without bringing any burden upon the general revenue of the society.

A highway, a bridge, a navigable canal, for example, may in most cases be both made and maintained by a small toll upon the carriages which make use of them: a harbour, by a moderate port-duty upon the tonnage of the shipping which load or unload in it. The coinage, another institution for facilitating commerce, in many countries, not only defrays its own expense, but affords a small revenue or a seignorage to the sovereign. The post-office, another institution for the same purpose, over and above defraying its own expense, affords, in almost all countries, a very considerable revenue to the sovereign.

When the carriages which pass over a highway or a bridge, and the lighters which sail upon a navigable canal, pay toll in proportion to their weight or their tonnage, they pay for the maintenance of those public works exactly in proportion to the wear and

tear which they occasion of them. It seems scarce possible to invent a more equitable way of maintaining such works. This tax or toll, too, though it is advanced by the carrier, is finally paid by the consumer, to whom it must always be charged in the price of the goods. As the expense of carriage, however, is very much reduced by means of such public works, the goods, notwithstanding the toll, come cheaper to the consumer than they could otherwise have done; their price not being so much raised by the toll, as it is lowered by the cheapness of the carriage. The person who finally pays this tax, therefore, gains by the application more than he loses by the payment of it. His payment is exactly in proportion to his gain. It is in reality no more than a part of that gain which he is obliged to give up, in order to get the rest. It seems impossible to imagine a more equitable method of raising a tax.

When the toll upon carriages of luxury, upon coaches, post-chaises, &c., is made somewhat higher in proportion to their weight than upon carriages of necessary use, such as carts, waggons, &c., the indolence and vanity of the rich is made to contribute in a very easy manner, to the relief of the poor, by rendering cheaper the transportation of heavy goods to all the different parts of the country.

When high roads, bridges, canals, &c. are in this manner made and supported by the commerce which is carried on by means of them, they can be made only where that commerce requires them, and, consequently, where it is proper to make them. Their expense, too, their grandeur and magnificence, must be suited to what that commerce can afford to pay. They must be made consequently as it is proper to make them. A magnificent high road cannot be made through a desert country, where there is little or no commerce, or merely because it happens to lead to the country villa of the intendant of the province, or to that of some great lord to whom the intendant finds it convenient to make his court. A great bridge cannot be thrown over a river at a place where nobody passes, or merely to embellish the view from the windows of a neighbouring palace; things which sometimes happen in countries where works of this kind are carried on by any other revenue than that which they themselves are capable of affording.

In several different parts of Europe, the toll or lock-duty upon a canal is the property of private persons, whose private interest obliges them to keep up the canal. If it is not kept in tolerable order, the navigation necessarily ceases altogether, and along with it the whole profit which they can make by the tolls. If those tolls were put under the management of commissioners, who had themselves no interest in them, they might be less attentive to the maintenance of the works which produced them. The canal of Languedoc cost the king of France and the province upwards of thirteen millions of livres, which (at twenty-eight livres the mark of silver, the value of French money in the end of the last century) amounting to upwards of nine hundred thousand pounds sterling. When that great work was finished, the most likely method, it was found, of keeping it in constant repair, was to make a present of the tolls to Riquet, the engineer, who planned and conducted the work. Those tolls constitute at present a very large estate to the different branches of the family of that gentleman, who have therefore a great interest to keep the work in constant repair. But had those tolls been put under the management of commissioners, who had no such interest, they might perhaps have been dissipated in ornamental and unnecessary expenses, while the most essential parts of the work were allowed to go to ruin.

The tolls for the maintenance of a high road cannot with any safety be made the property of private persons. A high road though entirely neglected, does not become altogether impassable, though a canal does. The proprietors of the tolls upon a high road, therefore, might neglect altogether the repair of the road, and yet continue to levy very nearly the same tolls. It is proper, therefore, that the tolls for the maintenance of such a work should be put under the management of commissioners or trustees.

In Great Britain, the abuses which the trustees have committed in the management of those tolls, have in many cases been very justly complained of. At many turnpikes, it has been said, the money levied is more than double of what is necessary for executing, in the completest manner, the work which is often executed in a very slovenly manner, and sometimes not executed at all. The system of repairing the high roads by tolls of this kind, it must be observed, is not of very long standing. We should not wonder, therefore, if it has not yet been brought to that degree of perfection of which it seems capable. If mean and improper persons are frequently appointed trustees, and if proper courts of inspection and account have not yet been established for controlling their conduct, and for reducing the tolls to what is barely sufficient for executing the work to be done by them, the recency of the institution both accounts and apologises for those defects, of which, by the wisdom of parliament, the greater part may in due time be gradually remedied.

The money levied at the different turnpikes in Great Britain is supposed to exceed so much what is necessary for repairing the

roads, that the savings which, with proper economy, might be made from it, have been considered, even by some ministers, as a very great resource which might at some time or another be applied to the exigencies of the state. Government, it has been said, by taking the management of the turnpikes into its own hands, and by employing the soldiers, who would work for a very small addition to their pay, could keep the roads in good order at a much less expense than it can be done by trustees, who have no other workmen to employ but such as derive their whole subsistence from their wages. A great revenue, half a million, perhaps[1], it has been pretended, might in this manner be gained without laying any new burden upon the people; and the turnpike roads might be made to contribute to the general expense of the state, in the same manner as the post-office does at present.[2]

That a considerable revenue might be gained in this manner, I have no doubt, though probably not near so much as the projectors of this plan have supposed. The plan itself, however, seems liable to several very important objections.

First, If the tolls which are levied at the turnpikes should ever be considered as one of the resources for supplying the exigencies of the state, they would certainly be augmented as those exigencies were supposed to require. According to the policy of Great Britain, therefore, they would probably be augmented very fast. The facility with which a great revenue could be drawn from them, would probably encourage administration to recur very frequently to this resource. Though it may, perhaps, be more than doubtful whether half a million could by any economy be saved out of the present tolls, it can scarce be doubted but that a million might be saved out of them, if they were doubled; and perhaps two millions, if they were tripled.[3] This great revenue, too, might be levied without the appointment of a single new officer to collect and receive it; but the turnpike tolls being continually augmented in this manner, instead of facilitating the inland commerce of the country as at present, would soon become a very great incumbrance upon it. The expense of transporting all heavy goods from one part of the country to another, would soon be so much increased, the market for all such goods consequently would soon be so much narrowed, that their production would be in a great measure discouraged, and the most important branches of the domestic industry of the country annihilated altogether.

Secondly, A tax upon carriages in proportion to their weight, though a very equal tax when applied to the sole purpose of repairing the roads, is a very unequal one when applied to any other purpose, or to supply the common exigencies of the state. When it is applied to the sole purpose above mentioned, each carriage is supposed to pay exactly for the wear and tear which that carriage occasions of the roads. But when it is applied to any other purpose, each carriage is supposed to pay for more than that wear and tear, and contributes to the supply of some other exigency of the state. But as the turnpike toll raises the price of goods in proportion to their weight and not to their value, it is chiefly paid by the consumers of coarse and bulky, not by those of precious and light, commodities. Whatever exigency of the state, therefore, this tax might be intended to supply, that exigency would be chiefly supplied at the expense of the poor, not of the rich; at the expense of those who are least able to supply it, not of those who are most able.

Thirdly, If government should at any time neglect the reparation of the high roads it would be still more difficult than it is at present to compel the proper application of any part of the turnpike tolls. A large revenue might thus be levied upon the people, without any part of it being applied to the only purpose to which a revenue levied in this manner ought ever to be applied. If the meanness and poverty of the trustees of turnpike roads render it sometimes difficult, at present, to oblige them to repair their wrong; their wealth and greatness would render it ten times more so in the case which is here supposed.

In France, the funds destined for the reparation of the high roads are under the immediate direction of the executive power. Those funds consist, partly in a certain number of days' labour, which the country people are in most parts of Europe obliged to give to the reparation of the highways; and partly in such a portion of the general revenue of the state as the king chooses to spare from his other expenses.

By the ancient law of France, as well as by that of most other parts of Europe, the labour of the country people was under the direction of a local or provincial magistracy, which had no immediate dependency upon the king's council. But, by the present practice, both the labour of the country people, whatever other fund the king may choose to assign for the reparation of the high roads in any particular province or generality, are

[1] Since publishing the two first editions of this book, I have got good reasons to believe that all the turnpike tolls levied in Great Britain do not produce a neat revenue that amounts to half a million; a sum which, under the management of government, would not be sufficient to keep in repair five of the principal roads in the kingdom. (Note by the author.)

[2] For some remarks on this subject, see supplemental note on Tolls and Highways.

[3] I have now good reasons to believe that all these conjectural sums are by much too large. (Note by the author.)

entirely under the management of the intendant; an officer who is appointed and removed by the king's council, who receives his orders from it, and is in constant correspondence with it. In the progress of despotism, the authority of the executive power gradually absorbs that of every other power in the state, and assumes to itself the management of every branch of revenue which is destined for any public purpose. In France, however, the great post-roads, the roads which make the communication between the principal towns of the kingdom, are in general kept in good order; and, in some provinces, are even a good deal superior to the greater part of the turnpike roads of England. But what we call the cross-roads, that is, the far greater part of the roads in the country, are entirely neglected, and are in many places absolutely impassable for any heavy carriage. In some places it is even dangerous to travel on horseback, and mules are the only conveyance which can safely be trusted. The proud minister of an ostentatious court may frequently take pleasure in executing a work of splendour and magnificence, such as a great highway, which is frequently seen by the principal nobility, whose applauses not only flatter his vanity, but even contribute to support his interest at court. But to execute a great number of little works, in which nothing that can be done can make any great appearance, or excite the smallest degree of admiration in any traveller, and which, in short, have nothing to recommend them but their extreme utility, is a business which appears, in every respect, too mean and paltry to merit the attention of so great a magistrate. Under such an administration, therefore, such works are almost always entirely neglected.

In China, and in several other governments of Asia, the executive power charges itself both with the reparation of the high roads, and with the maintenance of the navigable canals. In the instructions which are given to the governor of each province, those objects, it is said, are constantly recommended to him, and the judgment which the court forms of his conduct is very much regulated by the attention which he appears to have paid to this part of his instructions. This branch of public police, accordingly, is said to be very much attended to in all those countries, but particularly in China, where the high roads, and still more the navigable canals, it is pretended, exceed very much every thing of the same kind which is known in Europe. The accounts of those works, however, which have been transmitted to Europe, have generally been drawn up by weak and wondering travellers; frequently by stupid and lying missionaries. If they had been examined by more intelligent eyes, and if the accounts of them had been reported by more faithful witnesses, they would perhaps, appear to be so wonderful. The account which Bernier gives of some works of this kind in Indostan falls very much short of what had been reported of them by travellers more disposed to the marvellous than he was. It may too, perhaps, in those countries, as it is in France, where the great roads, the great communications, are likely to be the subjects of conversation at the court and in the capital, are attended to, and all the rest neglected. In China, besides, in Indostan, and in several other governments of Asia, the revenue of the sovereign arises almost altogether from a land tax or land-rent, which rises or falls with the rise and fall of the annual produce of the land. The great interest of the sovereign, therefore, his revenue, is in such countries necessarily and immediately connected with the cultivation of the land, with the greatness of its produce, and with the value of its produce. But in order to render that produce both as great and as valuable as possible, it is necessary to procure to it as extensive a market as possible, and consequently to establish the freest, the easiest, and the least expensive communication between all the different parts of the country; which can be done only by means of the best roads and the best navigable canals. But the revenue of the sovereign does not, in any part of Europe, arise chiefly from a land-tax or land-rent. In all the great kingdoms of Europe, perhaps, the greater part of it may ultimately depend upon the produce of the land: but that dependency is neither so immediate nor so evident. In Europe, therefore, the sovereign does not feel himself so directly called upon to promote the increase, both in quantity and value, of the produce of the land, or by maintaining good roads and canals, to provide the most extensive market for that produce. Though, it should be true, therefore, what I apprehend is not a little doubtful, that in some parts of Asia this department of the public police is very properly managed by the executive power, there is not the least probability that during the present state of things, it could be tolerably managed by that power in any part of Europe.

Even those public works which are of such a nature that they cannot afford any revenue for maintaining themselves, but of which the convenience is nearly confined to some particular place or district, are always better maintained by a local or provincial revenue, under the management of a local and provincial administration, than by the general revenue of the state, of which the executive power must always have the management. Were the streets of London to be lighted and paved at the expense of the treasury, is there any probability that they

would be so well lighted and paved as they are at present, or even at so small an expense? The expense, besides, instead of being raised by a local tax upon the inhabitants of each particular street, parish, or district in London, would in this case be defrayed out of the general revenue of the state, and would consequently be raised by a tax upon all the inhabitants of the kingdom, of whom the greater part derive no sort of benefit from the lighting and paving of the streets of London.

The abuses which sometimes creep into the local and provincial administration of a local and provincial revenue, how enormous soever they may appear, are in reality, however, almost always very trifling, in comparison of those which commonly take place in the administration and expenditure of the revenue of a great empire. They are, besides, much more easily corrected. Under the local or provincial administration of the justices of the peace in Great Britain, the six days' labour which the country people are obliged to give to the reparation of the highways, is not always, perhaps, very judiciously applied, but it is scarce ever exacted, with any circumstance of cruelty or oppression. In France, under the administration of the intendants, the application is not always more judicious, and the exaction is frequently the most cruel and oppressive. Such corvées, as they are called, make one of the principal instruments of tyranny by which those officers chastise any parish or communeauté which has had the misfortune to fall under their displeasure.

Of the Public Works and Institutions which are necessary for facilitating particular Branches of Commerce.

The object of the public works and institutions above mentioned is to facilitate commerce in general. But in order to facilitate some particular branches of it, particular institutions are necessary, which again require a particular and extraordinary expense.

Some particular branches of commerce, which are carried on with barbarous and uncivilised nations, require extraordinary protection. An ordinary store or counting-house could give little security to the goods of the merchants who trade to the western coast of Africa. To defend them from the barbarous natives, it is necessary that the place where they are deposited should be in some measure fortified. The disorders in the government of Indostan have been supposed to render a like precaution necessary even among that mild and gentle people; and it was under pretence of securing their persons and property from violence that both the English and French East India companies were allowed to erect the first forts which they possessed in that country. Among other nations, whose vigorous government will suffer no strangers to possess any fortified place within their territory, it may be necessary to maintain some ambassador, minister, or consul, who may both decide, according to their own customs, the differences arising among his own countrymen; and, in their disptues with the natives, may, by means of his public character, interfere with more authority, and afford them a more powerful protection than they could expect from any private man. The interests of commerce have frequently made it necessary to maintain ministers in foreign countries, where the purposes either of war or alliance would not have required any. The commerce of the Turkey company first occasioned the establishment of an ordinary ambassador at Constantinople. The first English embassies to Russia arose altogether from commercial interests. The constant interference which those interests necessarily occasioned between the subjects of the different states of Europe has probably introduced the custom of keeping, in all neighbouring countries, ambassadors or ministers constantly resident even in the time of peace. This custom, unknown to ancient times, seems not to be older than the end of the fifteenth or beginning of the sixteenth century; that is, than the time when commerce first began to extend itself to the greater part of the nations of Europe, and when they first began to attend to its interests.

It seems not unreasonable that the extraordinary expense which the protection of any particular branch of commerce may occasion should be defrayed by a moderate tax upon that particular branch; by a moderate fine, for example, to be paid by the traders when they first enter into it; or, what is more equal, by a particular duty of so much per cent. upon the goods which they either import into, or export out of, the particular countries with which it is carried on. The protection of trade in general, from pirates and freebooters is said to have given occasion to the first institution of the duties of customs. But if it was thought reasonable to lay a general tax upon trade, in order to defray the expense of protecting trade in general, it should seem equally reasonable to lay a particular tax upon a particular branch of trade, in order to defray the extraordinary expense of protecting that branch.

The protection of trade in general has always been considered as essential to the defence of the commonwealth, and, upon that account, a necessary part of the duty of the executive power. The collection and application of the general duties of customs, therefore, have always been left to that power. But the protection of any particular branch of trade is a part of the general protection of trade; a part therefore of

the duty of that power; and if nations always acted consistently, the particular duties levied for the purposes of such particular protection should always have been left equally to its disposal. But in this respect, as well as in many others, nations have not always acted consistently; and in the greater part of the commercial states of Europe, particular companies of merchants have had the address to persuade the legislature to intrust to them the performance of this part of the duty of the sovereign, together with all the powers which are necessarily connected with it.

These companies, though they may perhaps have been useful for the first introduction of some branches of commerce, by making, at their own expense, an experiment which the state might not think it prudent to make, have in the long-run proved, universally, either burdensome or useless, and have either mismanaged or confined the trade.

When those companies do not trade upon a joint stock, but are obliged to admit any person, properly qualified, upon paying a certain fine, and agreeing to submit to the regulations of the company, each member trading upon his own stock, and at his own risk, they are called regulated companies. When they trade upon a joint stock, each member sharing in the common profit or loss in proportion to his share in this stock, they are called joint stock companies. Such companies, whether regulated or joint stock, sometimes have, and sometimes have not, exclusive privileges.

Regulated companies resemble, in every respect, the corporations of trades, so common in the cities and towns of all the different countries of Europe; and are a sort of enlarged monopolies of the same kind. As no inhabitant of a town can exercise an incorporated trade, without first obtaining his freedom in the corporation, so, in most cases, no subject of the state can lawfully carry on any branch of foreign trade, for which a regulated company is established, without first becoming a member of that company. The monopoly is more or less strict, according as the terms of admission are more or less difficult, and according as the directors of the company have more or less authority, or have it more or less in their power to manage in such a manner as to confine the greater part of the trade to themselves and their particular friends. In the most ancient regulated companies, the privileges of apprenticeship were the same as in other corporations, and entitled the person who had served his time to a member of the company, to become himself a member, either without paying any fine, or upon paying a much smaller one than what was exacted of other people. The usual corporation spirit, wherever the law does not restrain it, prevails in all regulated companies. When they have been allowed to act according to their natural genius, they have always, in order to confine the competition to as small a number of persons as possible, endeavoured to subject the trade to many burdensome regulations. When the law has restrained them from doing this, they have become altogether useless and insignificant.

The regulated companies for foreign commerce, which at present subsist in Great Britain, are the ancient merchant-adventurers' company, now commonly called the Hamburgh company, the Russia company, the Eastland company, the Turkey company, and the African company.

The terms of admission into the Hamburgh company are now said to be quite easy; and the directors either have it not in their power to subject the trade to any burdensome restraint or regulations, or at least have not of late exercised that power. It has not always been so. About the middle of the last century, the fine for admission was fifty, and at one time one hundred pounds, and the conduct of the company was said to be extremely oppressive. In 1643, in 1645, and in 1661, the clothiers and free traders of the west of England complained of them to parliament, as of monopolists who confined the trade and oppressed the manufactures of the country. Though those complaints produced no act of parliament, they had probably intimidated the company so far as to oblige them to reform their conduct: since that time, at least, there have been no complaints against them. By the 10th and 11th of William III. c. 6., the fine for admission into the Russian company was reduced to five pounds: and by the 25th of Charles II. c. 7. that for admission in the Eastland company to forty shillings; while, at the same time, Sweden, Denmark and Norway, all the countries on the north side of the Baltic, were exempted from their exclusive charter. The conduct of those companies had probably given occasion to those two acts of parliament. Before that time, Sir Josiah Child had represented both these and the Hamburgh company as extremely oppressive, and imputed to their bad management the low state of their trade, which we at that time carried on to the countries comprehended within their respective charters. But though such companies may not, in the present times, be very oppressive, they are certainly altogether useless. To be merely useless, indeed, is perhaps the highest eulogy which can ever justly be bestowed upon a regulated company; and all the three companies above mentioned seem, in their present state, to deserve this eulogy.[1]

The fine for admission into the Turkey

[1] These companies have now, in effect, ceased to exist.

company was formerly twenty-five pounds for all persons under twenty-six years of age, and fifty pounds for all persons above that age. Nobody but mere merchants could be admitted; a restriction which excluded all shopkeepers and retailers. By a by-law, no British manufactures could be exported to Turkey but in the general ships of the company; and as those ships sailed always from the port of London, this restriction confined the trade to that expensive port, and the traders to those who lived in London and in its neighbourhood. By another by-law, no person living within twenty miles of London, and not free of the city, could be admitted a member; another restriction which, joined to the foregoing, necessarily excluded all but the freemen of London. As the time for the loading and sailing of those general ships depended altogether upon the directors, they could easily fill them with their own goods and those of their particular friends, to the exclusion of others, who, they might pretend, had made their proposals too late. In this state of things, therefore, this company was, in every respect, a strict and oppressive monopoly. Those abuses gave occasion to the act of the 26th of George II. c. 18. reducing the fine for admission to twenty pounds for all persons, without any distinction of ages, or any restriction, either to mere merchants, or to the freemen of London; and granting to all such persons the liberty of exporting, from all the ports of Great Britain to any port in Turkey, all British goods of which the exportation was not prohibited; and of importing from thence all Turkish goods, of which the importation was not prohibited, upon paying both the general duties of customs, and the particular duties assessed for defraying the necessary expenses of the company; and submitting, at the same time, to the lawful authority of the British ambassador and consuls resident in Turkey, and to the by-laws of the company duly enacted. To prevent any oppression by those by-laws, it was by the same act ordained, that if any seven members of the company conceived themselves aggrieved by any by-law which should be enacted after the passing of this act, they might appeal to the board of trade and plantations, (to the authority of which a committee of the privy council has now succeeded,) provided such appeal was brought within twelve months after the by-law was enacted; and that, if any seven members conceived themselves aggrieved by any by-law which had been enacted before the passing of this act, they might bring a like appeal provided it was within twelve months after the day on which this act was to take place. The experience of one year, however, may not always be sufficient to discover to all the members of a great company the pernicious tendency of a particular by-law; and if several of them should afterwards discover it, neither the board of trade nor the committee of council can afford them any redress. The object, besides, of the greater part of the by-laws of all regulated companies, as well as of all other corporations, is not so much to oppress those who are already members, as to discourage others from becoming so; which may be done not only by a high fine, but by many other contrivances. The constant view of such companies is always to raise the rate of their own profit as high as they can; to keep the market, both for the goods, which they export and for those which they import, as much understocked as they can; which can be done only by restraining the competition, or by discouraging new adventurers from entering into the trade. A fine of twenty pounds, besides, though it may not perhaps be sufficient to discourage any man from entering into the Turkey trade with an intention to continue in it, may be enough to discourage a speculative merchant from hazarding a single adventure in it. In all trades, the regular established traders, even though not incorporated, naturally combine to raise profits, which are no way so likely to be kept at all times down to their proper level as by the occasional competition of speculative adventurers. The Turkey trade, though in some measure laid open by this act of parliament, is still considered by many people as very far from being altogether free. The Turkey company contribute to maintain an ambassador and two or three consuls, who, like other public ministers, ought to be maintained altogether by the state, and the trade laid open to all his majesty's subjects. The different taxes levied by the company, for this and other corporation purposes, might afford a revenue much more than sufficient to enable the state to maintain such ministers.[1]

Regulated companies, it was observed by Sir Josiah Child, though they had frequently supported public ministers, had never maintained any forts or garrisons in the countries to which they traded; whereas joint stock companies frequently had. And in reality the former seem to be much more unfit for this sort of service than the latter. First, The directors of a regulated company have no particular interest in the prosperity of the general trade of the company, for the sake of which such forts and garrisons are maintained. The decay of that general trade may even frequently contribute to the advantage of their own private trade; as by diminishing the number of their competitors, it may enable them both to buy cheaper and to sell dearer. The directors of a joint stock company, on the contrary, having only

[1] The Turkey company surrendered all their rights and privileges into the hands of government in 1825, and have ceased to exist.

their share in the profits which are made upon the common stock committed to their management, have no private trade of their own, of which the interest can be separated from that of the general trade of the company. Their private interest is connected with the prosperity of the general trade of the company, and with the maintenance of the forts and garrisons which are necessary for its defence. They are more likely, therefore, to have that continual and careful attention which that maintenance necessarily requires. Secondly, The directors of a joint stock company have always the management of a large capital, the joint stock of the company, a part of which they may frequently employ, with propriety, in building, repairing, and maintaining such necessary forts and garrisons. But the directors of a regulated company, having the management of no common capital, have no other fund to employ in this way but the casual revenue arising from the admission fines, and from the corporation duties, imposed upon the trade of the company. Though they had the same interest, therefore, to attend to the maintenance of such forts and garrisons, they can seldom have the same ability to render that attention effectual. The maintenance of a public minister requiring scarce any attention, and but a moderate and limited expense, is a business much more suitable both to the temper and abilities of a regulated company.

Long after the time of Sir Josiah Child, however, in 1750, a regulated company was established, the present company of merchants trading to Africa; which was expressly charged at first with the maintenance of all the British forts and garrisons that lie between Cape Blanc and the Cape of Good Hope, and afterwards with that of those only which lie between Cape Rouge and the Cape of Good Hope. The act which establishes this company (23 Geo. II. c. 31.) seems to have had two distinct objects in view: first, to restrain effectually the oppressive and monopolising spirit which is natural to the directors of a regulated company; and, secondly, to force them as much as possible to give an attention, which is not natural to them, towards the maintenance of forts and garrisons.

For the first of these purposes the fine for admission is limited to forty shillings. The company is prohibited from trading in their corporate capacity, or upon a joint stock; from borrowing money upon common seal, or from laying any restraints upon the trade which may be carried on freely from all places, and by all persons being British subjects, and paying the fine. The government is in a committee of nine persons, who meet in London, but who are chosen annually by the freemen of the company at London, Bristol, and Liverpool; three from each place. No committee-man can be continued in office for more than three years together. Any committee-man might be removed by the board of trade and plantations; now by a committee of council, after being heard in his own defence. The committee are forbid to export negroes from Africa, or to import any African goods into Great Britain; but as they are charged with the maintenance of forts and garrisons, they may, for that purpose, export from Great Britain to Africa goods and stores of different kinds. Out of the monies which they shall receive from the company, they are allowed a sum, not exceeding eight hundred pounds, for the salaries of their clerks and agents at London, Bristol, and Liverpool, the house-rent of their office at London, and all other expenses of management, commission, and agency in England. What remains of this sum, after defraying these different expenses, they may divide among themselves, as compensation for their trouble, in what manner they think proper. By this constitution, it might have been expected that the spirit of monopoly would have been effectually restrained, and the first of these purposes sufficiently answered. It would seem, however, that it had not. Though by the 4 Geo. III. c. 20. the fort of Senegal, with all its dependencies, had been vested in the company of merchants trading to Africa, yet in the year following (by 5 Geo. III. c. 44.) not only Senegal and its dependencies, but the whole coast from the port of Sallee, in South Barbary, to Cape Rouge, was exempted from the jurisdiction of that company, was vested in the crown, and the trade to it declared free to all his majesty's subjects. The company had been suspected of restraining the trade, and of establishing some sort of improper monopoly. It is not, however, very easy to conceive how, under the regulations of the 23d Geo. II. they could do so. In the printed debates in the House of Commons, not always the most authentic records of truth, I observe, however, that they have been accused of this. The members of the committee of nine being all merchants, and the governors and factors in their different forts and settlements being all dependent upon them, it is not unlikely that the latter might have given peculiar attention to the consignments and commissions of the former, which would establish a real monopoly.

For the second of these purposes, the maintenance of the forts and garrisons, an annual sum has been allotted to them by parliament, generally about thirteen thousand pounds. For the proper application of this sum, the committee is obliged to account annually to the cursitor baron of exchequer; which account is afterwards to

be laid before parliament. But parliament, which gives so little attention to the application of millions, is not likely to give much to that of thirteen thousand pounds a year; and the cursitor baron of exchequer, from his profession and education, is not likely to be profoundly skilled in the proper expense of forts and garrisons. The captains of his majesty's navy, indeed, or any other commissioned officers, appointed by the board of admiralty, may inquire into the condition of the forts and garrisons, and report their observations to that board. But that board seems to have no direct jurisdiction over the committee, nor any authority to correct those whose conduct it may thus inquire into; and the captains of his majesty's navy, besides, are not supposed to be always deeply learned in the science of fortification. Removal from an office, which can be enjoyed only for the term of three years, and of which the lawful emoluments, even during that term, are so very small, seems to be the utmost punishment to which any committeeman is liable for any fault, except direct malversation, or embezzlement either of the public money or of that of the company; and the fear of that punishment can never be a motive of sufficient weight to force a continual and careful attention to a business to which he has no other interest to attend. The committee are accused of having sent out bricks and stones from England for the reparation of Cape Coast Castle on the coast of Guinea; a business for which parliament had several times granted an extraordinary sum of money. These bricks and stones, too, which had thus been sent upon so long a voyage, were said to have been of so bad a quality, that it was necessary to rebuild from the foundation the walls which had been repaired with them. The forts and garrisons which lie north of Cape Rouge, are not only maintained at the expense of the state, but are under the immediate government of the executive power; and why those which lie south of that cape, and which too are, in part at least, maintained at the expense of the state, should be under a different government, it seems not very easy even to imagine a good reason. The protection of the Mediterranean trade was the original purpose or pretence of the garrisons of Gibraltar and Minorca; and the maintenance and government of those garrisons has always been, very properly, committed, not to the Turkey company, but to the executive power. In the extent of its dominion consists, in a great measure, the pride and dignity of that power; and it is not very likely to fail in attention to what is necessary for the defence of that dominion. The garrisons at Gibraltar and Minorca, accordingly, have never been neglected; though *Minorca has* been twice taken, and is now probably lost for ever, that disaster was never even imputed to any neglect in the executive power. I would not, however, be understood to insinuate, that either of those expensive garrisons was ever, even in the smallest degree, necessary for the purpose for which they were originally dismembered from the Spanish monarchy. That dismemberment, perhaps, never served any other real purpose than to alienate from England her natural ally, the king of Spain, and to unite the two principal branches of the house of Bourbon in a much stricter and more permanent alliance than the ties of blood could ever have united them.

Joint stock companies, established either by royal charter or by act of parliament, differ in several respects, not only from regulated companies, but from private copartneries.

First, In a private copartnery, no partner, without the consent of the company, can transfer his share to another person, or introduce a new member into the company. Each member, however, may, upon proper warning, withdraw from the copartnery, and demand payment from them of his share of the common stock. In a joint stock company, on the contrary, no member can demand payment of his share from the company; but each member can, without their consent, transfer his share to another person, and thereby introduce a new member. The value of a share in a joint stock is always the price which it will bring in the market; and this may be either greater or less, in any proportion, than the sum which its owner stands credited for in the stock of the company.

Secondly, In a private copartnery, each partner is bound for the debts contracted by the company to the whole extent of his fortune. In a joint stock company, on the contrary, each partner is bound only to the extent of his share.

The trade of a joint stock company is always managed by a court of directors. This court, indeed, is frequently subject in many respects to the control of a general court of proprietors. But the greater part of those proprietors seldom pretend to understand any thing of the business of the company; and when the spirit of faction happens not to prevail among them, give themselves no trouble about it, but receive contentedly such half-yearly or yearly dividend as the directors think proper to make to them. This total exemption from trouble and from risk, beyond a limited sum, encourages many people to become adventurers in joint stock companies, who would, upon no account, hazard their fortunes in any private copartnery. Such companies, therefore, commonly draw to themselves much greater stocks than any private copartnery can boast of. The trading stock of the South Sea company at

one time amounted to upwards of thirty-three millions eight hundred thousand pounds. The divided capital of the Bank of England amounts, at present, to ten millions seven hundred and eighty thousand pounds. The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. It is upon this account, that joint stock companies for foreign trade have seldom been able to maintain the competition against private adventurers. They have, accordingly, very seldom succeeded without an exclusive privilege; and frequently have not succeeded with one. Without an exclusive privilege, they have commonly mismanaged the trade. With an exclusive privilege, they have both mismanaged and confined it.

The Royal African company, the predecessors of the present African company, had an exclusive privilege by charter: but as that charter had not been confirmed by act of parliament, the trade, in consequence of the declaration of rights, was, soon after the Revolution, laid open to all his majesty's subjects. The Hudson's Bay company are, as to their legal rights, in the same situation as the Royal African company. Their exclusive charter has not been confirmed by act of parliament. The South Sea company, as long as they continued to be a trading company, had an exclusive privilege confirmed by act of parliament; as have likewise the present united company of merchants trading to the East Indies.

The Royal African company soon found that they could not maintain the competition against private adventurers, whom, notwithstanding the declaration of rights, they continued for some time to call interlopers, and to persecute as such. In 1698, however, the private adventurers were subjected to a duty of ten per cent. upon almost all the different branches of their trade, to be employed by the company in the maintenance of their forts and garrisons. But, notwithstanding this heavy tax, the company were still unable to maintain the competition. Their stock and credit gradually declined. In 1712, their debts had become so great, that a particular act of parliament was thought necessary, both for their security and for that of their creditors. It was enacted, that the resolution of two-thirds of these creditors in number and value should bind the rest, both with regard to the time which should be allowed to the company for the payment of their debts, and with regard to any other agreement which it might be thought proper to make with them concerning those debts.

In 1730, their affairs were in so great disorder, that they were altogether incapable of maintaining their forts and garrisons, the sole purpose and pretext of their institution. From that year till their final dissolution, the parliament judged it necessary to allow the annual sum of ten thousand pounds for that purpose. In 1732, after having been for many years losers by the trade of carrying negroes to the West Indies, they at last resolved to give it up altogether; to sell to the private traders to America the negroes which they purchased upon the coast; and to employ their servants in a trade to the inland parts of Africa for gold dust, elephants' teeth, dying drugs, &c. But their success in this more confined trade was not greater than in their former extensive one. Their affairs continued to go gradually to decline, till at last, being in every respect a bankrupt company, they were dissolved by act of parliament, and their forts and garrisons vested in the present regulated company of merchants trading to Africa. Before the erection of the Royal African company, there had been three other joint stock companies successively established, one after another, for the African trade. They were all equally unsuccessful. They all, however, had exclusive charters, which though not confirmed by act of parliament, were in those days supposed to convey a real exclusive privilege.

The Hudson's Bay company, before their misfortunes in the late war, had been much more fortunate than the Royal African company. Their necessary expense is much smaller. The whole number of people whom they maintain in their different settlements and habitations, which they have honoured with the name of forts, is said not to exceed a hundred and twenty persons. This number, however, is sufficient to prepare beforehand the cargo of furs and other goods necessary for loading their ships, which, on account of the ice, can seldom remain above six or eight weeks in those seas. This advantage of having a cargo ready prepared, could not, for several years, be acquired by private adventurers; and without it there seems to be no possibility of trading to Hudson's Bay. The moderate capital of the company, which, it is said, does not exceed one hundred and ten thousand pounds, may, besides, be sufficient to enable them to engross the whole, or almost the whole, trade and surplus produce of the miserable though extensive country comprehended within their charter. No private adventurers, accordingly, have ever attempted to trade to that

country in competition with them. This company, therefore, have always enjoyed an exclusive trade in fact, though they have no right to it in law. Over and above all this, the moderate capital of this company is said to be divided among a very small number of proprietors. But a joint stock company, consisting of a small number of proprietors, with a moderate capital, approaches very nearly to the nature of a private copartnery, and may be capable of nearly the same degree of vigilance and attention. It is not to be wondered at, therefore, if, in consequence of these different advantages, the Hudson's Bay company had, before the late war, been able to carry on their trade with a considerable degree of success. It does not seem probable, however, that their profits ever approached to what the late Mr. Dobbs imagined them. A much more sober and judicious writer, Mr. Anderson, author of the Historical and Chronological Deduction of Commerce, very justly observes, that upon examining the accounts which Mr. Dobbs himself has given for several years together, of their exports and imports, and upon making proper allowances for their extraordinary risk and expense, it does not appear that their profits deserve to be envied, or that they can much, if at all, exceed the ordinary profits of trade.

The South Sea company never had any forts or garrisons to maintain, and therefore were entirely exempted from one great expense, to which other joint stock companies for foreign trade are subject. But they had an immense capital divided among an immense number of proprietors. It was naturally to be expected, therefore, that folly, negligence, and profusion, should prevail in the whole management of their affairs. The knavery and extravagance of their stock-jobbing projects are sufficiently known, and the explication of them would be foreign to the present subject. Their mercantile projects were not much better conducted. The first trade which they engaged in was that of supplying the Spanish West Indies with negroes, of which (in consequence of what was called the Assiento contract granted them by the treaty of Utrecht) they had the exclusive privilege. But as it was not expected that much profit could be made by this trade, both the Portuguese and French companies, who had enjoyed it upon the same terms before them, having been ruined by it, they were allowed, as compensation, to send annually a ship of a certain burden to trade directly to the Spanish West Indies. Of the ten voyages which this annual ship was allowed to make, they are said to have gained considerably by one, that of the Royal Caroline in 1731, and to have been losers, more or less, by almost all the rest. Their ill success was imputed, by their factors and agents, to the extortion and oppression of Spanish government; but was, perhaps, principally owing to the profusion and depredations of those very factors and agents; some of whom are said to have acquired great fortunes even in one year. In 1734, the company petitioned the king, that they might be allowed to dispose of the trade and tunnage of their annual ship, on account of the little profit which they made by it, and to accept of such equivalent as they could obtain from the king of Spain.

In 1724, this company had undertaken the whale fishery. Of this, indeed, they had no monopoly; but as long as they carried it on, no other British subjects appear to have engaged in it. Of the eight voyages which their ships made to Greenland, they were gainers by one, and losers by all the rest. After their eighth and last voyage, when they had sold their ships, stores, and utensils, they found that their whole loss upon this branch, capital and interest included, amounted to upwards of two hundred and thirty-seven thousand pounds.

In 1722, this company petitioned the parliament to be allowed to divide their immense capital of more than thirty-three millions eight hundred thousand pounds, the whole of which had been lent to government, into two equal parts; the one half, or upwards of sixteen millions nine hundred thousand pounds, to be put upon the same footing with other government annuities, and not to be subject to the debts contracted or losses incurred, by the directors of the company, in the prosecution of their mercantile projects; the other half to remain, as before, a trading stock, and to be subject to those debts and losses. The petition was too reasonable not to be granted. In 1733, they again petitioned the parliament, that three-fourths of their trading stock might be turned into annuity stock, and only one-fourth remain as trading stock, or exposed to the hazards arising from the bad management of their directors. Both their annuity and trading stocks had, by this time, been reduced more than two millions each, by several different payments from government; so that this fourth amounted only to 3,662,784*l.* 6*s.* 6*d.* In 1748, all the demands of the company upon the king of Spain, in consequence of the Assiento contract, were, by the treaty of Aix-la-Chapelle, given up for what was supposed an equivalent. An end was put to their trade with the Spanish West Indies, the remainder of their trading stock was turned into an annuity stock, and the company ceased in every respect to be a trading company.

It ought to be observed, that in the trade which the South Sea company carried on by means of their annual ship, the only trade by which it ever was expected that they could

make any considerable profit, they were not without competitors, either in the foreign or in the home market. At Carthagena, Porto Bello, and La Vera Cruz, they had to encounter the competition of the Spanish merchants, who brought from Cadiz to those markets European goods, of the same kind with the outward cargo of their ship; and in England they had to encounter that of the English merchants, who imported from Cadiz goods of the Spanish West Indies, of the same kind with the inward cargo. The goods both of the Spanish and English merchants, indeed, were perhaps subject to higher duties. But the loss occasioned by the negligence, profusion, and malversation of the servants of the company, had probably been a tax much heavier than all those duties. That a joint stock company should be able to carry on successfully any branch of foreign trade, when private adventurers can come into any sort of open and fair competition with them, seems contrary to all experience.

The old English East India company was established in 1600 by a charter from Queen Elizabeth. In the first twelve voyages which they fitted out for India, they appear to have traded as a regulated company, with separate stocks, though only in the general ships of the company. In 1612 they united into a joint stock. Their charter was exclusive, and though not confirmed by act of parliament, was in those days supposed to convey a real exclusive privilege. For many years, therefore, they were not much disturbed by interlopers. Their capital, which never exceeded seven hundred and forty-four thousand pounds, and of which fifty pounds was a share, was not so exorbitant, nor their dealings so extensive, as to afford either a pretext for gross negligence and profusion, or a cover to gross malversation. Notwithstanding some extraordinary losses, occasioned partly by the malice of the Dutch East India company, and partly by other accidents, they carried on for many years a successful trade. But in process of time, when the principles of liberty were better understood, it became every day more and more doubtful how far a royal charter, not confirmed by act of parliament, could convey an exclusive privilege. Upon this question the decisions of the courts of justice were not uniform, but varied with the authority of government, and the humours of the times. Interlopers multiplied upon them; and towards the end of the reign of Charles II., through the whole of that of James II., and during a part of that of William III., reduced them to great distress. In 1698, a proposal was made to parliament, of advancing two millions to government at eight per cent., provided the subscribers were erected into a new East India company, with exclusive privileges. The old East India company offered seven hundred thousand pounds, nearly the amount of their capital, at four per cent. upon the same conditions. But such was at that time the state of public credit, that it was more convenient for government to borrow two millions at eight per cent. than seven hundred thousand pounds at four. The proposal of the new subscribers was accepted, and a new East India company established in consequence. The old East India company, however, had a right to continue their trade till 1701. They had, at the same time, in the name of their treasurer, subscribed, very artfully, three hundred and fifteen thousand pounds into the stock of the new. By a negligence in the expression of the act of parliament, which vested the East India trade in the subscribers to this loan of two millions, it did not appear evident that they were all obliged to unite into a joint stock. A few private traders, whose subscriptions amounted only to seven thousand two hundred pounds, insisted upon the privilege of trading separately upon their own stocks, and at their own risk. The old East India company had a right to a separate trade upon their old stock till 1701; and they had likewise, both before and after that period, a right, like that of other private traders, to a separate trade upon the three hundred and fifteen thousand pounds, which they had subscribed into the stock of the new company. The competition of the two companies with the private traders, and with one another, is said to have well nigh ruined both. Upon a subsequent occasion, in 1730, when a proposal was made to parliament for putting the trade under the management of a regulated company, and thereby laying it in some measure open, the East India company, in opposition to this proposal, represented in very strong terms what had been at this time the miserable effects, as they thought them, of this competition. In India, they said, it raised the price of goods so high, that they were not worth the buying; and in England, by overstocking the market, it sunk their price so low, that no profit could be made by them. That by a more plentiful supply, to the great advantage and conveniency of the public, it must have reduced very much the price of India goods in the English market, cannot well be doubted; but that it should have raised very much their price in the Indian market, seems not very probable, as all the extraordinary demand which that competition could occasion must have been but as a drop of water in the immense ocean of Indian commerce. The increase of demand, besides, though in the beginning it may sometimes raise the price of goods, never fails to lower it in the long run. It encourages production, and thereby increases the competition of the producers, who, in order to undersell one another, have

recourse to new divisions of labour and new improvements of art, which might never otherwise have been thought of. The miserable effects of which the company complained, were the cheapness of consumption and the encouragement given to production: precisely the two effects which it is the great business of political economy to promote. The competition, however, of which they gave this doleful account had not been allowed to be of long continuance. In 1702, the two companies were, in some measure, united by an indenture tripartite, to which the queen was the third party; and in 1708, they were, by act of parliament, perfectly consolidated into one company by their present name of the United Company of Merchants trading to the East Indies. Into this act it was thought worth while to insert a clause, allowing the separate traders to continue their trade till Michaelmas 1711; but at the same time empowering the directors, upon three years' notice, to redeem their little capital of seven thousand two hundred pounds, and thereby to convert the whole stock of the company into a joint stock. By the same act, the capital of the company, in consequence of a new loan to government, was augmented from two millions to three millions two hundred thousand pounds. In 1743, the company advanced another million to government; but this million being raised, not by a call upon the proprietors, but by selling annuities and contracting bond-debts, it did not augment the stock upon which the proprietors could claim a dividend. It augmented, however, their trading stock, it being equally liable with the other three millions two hundred thousand pounds to the losses sustained, and debts contracted, by the company in prosecution of their mercantile projects. From 1708, or at least from 1711, this company, being delivered from all competitors, and fully established in the monopoly of the English commerce to the East Indies, carried on a successful trade, and, from their profits, made annually a moderate dividend to their proprietors. During the French war, which began in 1741, the ambition of Mr. Dupleix, the French governor of Pondicherry, involved them in the wars of the Carnatic, and in the politics of the Indian princes. After many signal successes, and equally signal losses, they at last lost Madras, at that time their principal settlement in India. It was restored to them by the treaty of Aix-la-Chapelle; and about this time the spirit of war and conquest seems to have taken possession of their servants in India, and never since to have left them. During the French war, which began in 1755, their arms partook of the general good fortune of those of Great Britain. They defended Madras, took Pondicherry, recovered Calcutta, and acquired the revenues of a rich and extensive territory, amounting, it was then said, to upwards of three millions a year. They remained for several years in quiet possession of this revenue: but in 1767, administration laid claim to their territorial acquisitions, and the revenue arising from them, as of right belonging to the crown; and the company, in compensation for this claim, agreed to pay to government four hundred thousand pounds a year. They had before this gradually augmented their dividend from about six to ten per cent.; that is, upon their capital of three millions two hundred thousand pounds, they had increased it by a hundred and twenty-eight thousand pounds, or had raised it from one hundred and ninety-two thousand to three hundred and twenty thousand pounds a year. They were attempting about this time to raise it still further, to twelve and a half per cent.; which would have made their annual payments to their proprietors equal to what they had agreed to pay annually to government, or to four hundred thousand pounds a year. But during the two years in which their agreement with government was to take place, they were restrained from any further increase of dividend by two successive acts of parliament, of which the object was to enable them to make a speedier progress in the payment of their debts, which were at this time estimated at upwards of six or seven millions sterling. In 1769, they renewed their agreement with government for five years more, and stipulated, that during the course of that period, they should be allowed gradually to increase their dividend to twelve and a half per cent.; never increasing it, however, more than one per cent. in one year. This increase of dividend, therefore, when it had risen to its utmost height, could augment their annual payments, to their proprietors and government together, but by six hundred and eight thousand pounds beyond what they had been before their late territorial acquisitions. What the gross revenue of those territorial acquisitions was supposed to amount to, has already been mentioned; and by an account brought by the Cruttenden East Indiaman in 1768, the net revenue, clear of all deductions and military charges, was stated at two millions forty-eight thousand seven hundred and forty-seven pounds. They were said, at the same time, to possess another revenue, arising partly from lands, but chiefly from the customs established at their different settlements, amounting to four hundred and thirty-nine thousand pounds. The profits of their trade, too, according to the evidence of their chairman before the House of Commons, amounted at this time to at least four hundred thousand pounds a year; according to that of their accomptant, to at least five hundred thousand; according to the lowest account, at

least equal to the highest dividend that was to be paid to their proprietors. So great a revenue might certainly have afforded an augmentation of six hundred and eight thousand pounds in their annual payments; and, at the same time, have left a large sinking fund sufficient for the speedy reduction of their debts. In 1773, however, their debts, instead of being reduced, were augmented by an arrear to the treasury in the payment of the four hundred thousand pounds; by another to the custom-house for duties unpaid; by a large debt to the bank for money borrowed; and by a fourth, for bills drawn upon them from India, and wantonly accepted, to the amount of upwards of twelve hundred thousand pounds. The distress which these accumulated claims brought upon them obliged them not only to reduce all at once their dividend to six per cent., but to throw themselves upon the mercy of government, and to supplicate, first, a release from the further payment of the stipulated four hundred thousand pounds a year; and, secondly, a loan of fourteen hundred thousand, to save them from immediate bankruptcy.

The great increase of their fortune had, it seems, only served to furnish their servants with a pretext for greater profusion, and a cover for greater malversation, than in proportion even to that increase of fortune. The conduct of their servants in India, and the general state of their affairs both in India and in Europe, became the subject of a parliamentary inquiry; in consequence of which, several very important alterations were made in the constitution of their government, both at home and abroad. In India, their principal settlements of Madras, Bombay, and Calcutta, which had before been altogether independent of one another, were subjected to a governor-general, assisted by a council of four assessors, parliament assuming to itself the first nomination of this governor and council who were to reside at Calcutta; that city having now become, what Madras was before, the most important of the English settlements in India. The court of the mayor of Calcutta, originally instituted for the trial of mercantile causes, which arose in the city and neighbourhood, had gradually extended its jurisdiction with the extension of the empire. It was now reduced and confined to the original purpose of its institution. Instead of it, a new supreme court of judicature was established, consisting of a chief justice and three judges, to be appointed by the crown. In Europe, the qualification necessary to entitle a proprietor to vote at their general courts was raised, from five hundred pounds, the original price of a share in the stock of the company, to a thousand pounds. In order to vote upon this qualification too, it was declared necessary that he should have possessed it,

[illegible] been [illegible] acted [illegible] be chosen [illegible] ever, to go out of [illegible] year, and not to be capable of being re-chosen at the election of the six new directors for the ensuing year. In consequence of these alterations, the courts [illegible] and directors, it was expected, would be likely to act with more dignity [illegible] ness than they had usually done before. But it seems impossible by any regulation to render those courts in any respect fit to govern, or even to share in the government of a great empire; because the greater part of their members must always have too little interest in the prosperity of that empire to give any serious attention to what may promote it. Frequently a man of great, sometimes even a man of small fortune is willing to purchase a thousand pounds share in India stock, merely for the influence which he expects to acquire by a vote in the court of proprietors. It gives him a share, though not in the plunder, yet in the appointment of the plunderers of India; the court of directors, though they make that appointment, being necessarily more or less under the influence of the proprietors, who not only elect those directors, but sometimes overrule the appointments of their servants in India. Provided he can enjoy this influence for a few years, and thereby provide for a certain number of his friends, he frequently cares little about the dividend, or even about the value of the stock upon which his vote is founded. About the prosperity of the great empire, in the government of which that vote gives him a share, he seldom cares at all. No other sovereigns ever were, or, from the nature of things, ever could be, so perfectly indifferent about the happiness or misery of their subjects, the improvement or waste of their dominions, the glory or disgrace of their administration, as, from irresistible moral causes, the greater part of the proprietors of such a mercantile company are, and necessarily must be. This indifference, too, was more likely to be increased than diminished by some of the new regulations, which were made in consequence of the parliamentary inquiry. By a resolution of the House of Commons, for example, it was declared, that when the fourteen hundred thousand pounds lent to the company by government should be paid, and their bond-debts be reduced to fifteen hundred thousand pounds, they might then, and not till then, divide eight per cent. upon their capital; and that whatever remained of their revenues and neat profits at home should be divided

into four parts; three of them to be paid into the exchequer for the use of the public, and the fourth to be reserved as a fund, either for the further reduction of their bond-debts, or for the discharge of other contingent exigencies which the company might labour under. But if the company were bad stewards and bad sovereigns, when the whole of their net revenue and profits belonged to themselves, and were at their own disposal, they were surely not likely to be better, when three-fourths of them were to belong to other people, and the other fourth, though to be laid out for the benefit of the company, yet to be so, under the inspection, and with the approbation of other people.

It might be more agreeable to the company that their own servants and dependants should have either the pleasure of wasting, or the profit of embezzling, whatever surplus might remain, after paying the proposed dividend of eight per cent., than that it should come into the hands of a set of people with whom those resolutions could scarce fail to set them in some measure at variance. The interest of those servants and dependants might so far predominate in the court of proprietors, as sometimes to dispose it to support the authors of depredations which had been committed in direct violation of its own authority. With the majority of proprietors, the support even of the authority of their own court might sometimes be a matter of less consequence than the support of those who had set that authority at defiance.

The regulations of 1773, accordingly, did not put an end to the disorders of the company's government in India. Notwithstanding that, during a momentary fit of good conduct, they had at one time collected into the treasury of Calcutta more than three millions sterling; notwithstanding that they had afterwards extended either their dominion or their depredations over a vast accession of some of the richest and most fertile countries in India, all was wasted and destroyed. They found themselves altogether unprepared to stop or resist the incursion of Hyder Ali; and, in consequence of those disorders, the company is now (1784) in greater distress than ever; and, in order to prevent immediate bankruptcy, is once more reduced to supplicate the assistance of government. Different plans have been proposed by the different parties in parliament for the better management of its affairs; and all those plans seem to agree in supposing, what was indeed always abundantly evident, that it is altogether unfit to govern its territorial possessions. Even the company itself seems to be convinced of its own incapacity so far, and seems, upon that account, willing to give them up to government.[1]

With the right of possessing forts and garrisons in distant and barbarous countries is necessarily connected the right of making peace and war in those countries. The joint stock companies which have had the one right have constantly exercised the other, and have frequently had it expressly conferred upon them. How unjustly, how capriciously, how cruelly they have commonly exercised it, is too well known from recent experience.

When a company of merchants undertake, at their own risk and expense, to establish a new trade with some remote and barbarous nation, it may not be unreasonable to incorporate them into a joint stock company, and to grant them, in case of their success, a monopoly of the trade for a certain number of years. It is the easiest and most natural way in which the state can recompense them for hazarding a dangerous and expensive experiment, of which the public is afterwards to reap the benefit. A temporary monopoly of this kind may be vindicated, upon the same principles upon which a like monopoly of a new machine is granted to its inventor, and that of a new book to its author. But upon the expiration of the term, the monopoly ought certainly to determine; the forts and garrisons, if it was found necessary to establish any, to be taken into the hands of government, their value to be paid to the company, and the trade to be laid open to all the subjects of the state. By a perpetual monopoly, all the other subjects of the state are taxed very absurdly in two different ways: first, by the high price of goods, which, in the case of a free trade, they could buy much cheaper; and, secondly, by their total exclusion from a branch of business which it might be both convenient and profitable for many of them to carry on. It is for the most worthless of all purposes, too, that they are taxed in this manner. It is merely to enable the company to support the negligence, profusion, and malversation of their own servants, whose disorderly conduct seldom allows the dividend of the company to exceed the ordinary rate of profit in trades which are altogether free, and very frequently makes it fall even a good deal short of that rate. Without a monopoly, however, a joint stock company, it would appear from experience, cannot long carry on any branch of foreign trade. To buy in one market, in order to sell with profit in another, when there are many competitors in both; to watch over, not only

[1] For an account of the changes effected in the constitution of the East India company in 1784, and of its present condition, see supplemental note on the Government, Revenue, and Trade of India.

the occasional variations in the demand, but the much greater and more frequent variations in the competition, or in the supply which that demand is likely to get from other people, and to suit with dexterity and judgment both the quantity and quality of each assortment of goods to all these circumstances, is a species of warfare of which the operations are continually changing, and which can scarce ever be conducted successfully, without such an unremitting exertion of vigilance and attention as cannot long be expected from the directors of a joint stock company. The East India company, upon the redemption of their funds, and the expiration of their exclusive privilege, have a right, by act of parliament, to continue a corporation with a joint stock, and to trade in their corporate capacity to the East Indies in common with the rest of their fellow-subjects. But in this situation, the superior vigilance and attention of private adventurers would, in all probability, soon make them weary of the trade.

An eminent French author, of great knowledge in matters of political economy, the Abbé Morellet, gives a list of fifty-five joint stock companies for foreign trade, which have been established in different parts of Europe since the year 1600, and which, according to him, have all failed from mismanagement, notwithstanding they had exclusive privileges. He has been misinformed with regard to the history of two or three of them, which were not joint stock companies and have not failed. But, in compensation, there have been several joint stock companies which have failed, and which he has omitted.

The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation. Of this kind is, first, the banking trade; secondly, the trade of insurance from fire, and from sea risk and capture in time of war; thirdly, the trade of making and maintaining a navigable cut or canal; and, fourthly, the similar trade of bringing water for the supply of a great city.

Though the principles of the banking trade may appear somewhat abstruse, the practice is capable of being reduced to strict rules. To depart upon any occasion from those rules, in consequence of some flattering speculation of extraordinary gain, is almost always extremely dangerous, and frequently fatal to the banking company which attempts it. But the constitution of joint stock companies renders them, in general, more tenacious of established rules than any private copartnery. Such companies, therefore, seem extremely well fitted for this trade. The principal banking companies in Europe, accordingly, are joint stock companies, many of which manage their trade very successfully without any exclusive privilege. The Bank of England has no other exclusive privilege, except that no other banking company in England shall consist of more than six persons.[1] The two banks of Edinburgh are joint stock companies without any exclusive privilege.[2]

The value of the risk, either from fire, or from loss by sea, or by capture, though it cannot perhaps be calculated very exactly, admits however of such a gross estimation as renders it, in some degree, reducible to strict rule and method. The trade of insurance, therefore, may be carried on successfully by a joint stock company without any exclusive privilege. Neither the London Assurance nor the Royal Exchange Assurance companies have any such privilege.

When a navigable cut or canal has been once made, the management of it becomes quite simple and easy, and it is reducible to strict rule and method. Even the making of it is so, as it may be contracted for with undertakers, at so much a mile, and so much a lock. The same thing may be said of a canal, an aqueduct, or a great pipe for bringing water to supply a great city Such undertakings, therefore, may be, and accordingly frequently are, very successfully managed by joint stock companies without any exclusive privilege.

To establish a joint stock company, however, for any undertaking, merely because such a company might be capable of managing it successfully, or to exempt a particular set of dealers from some of the general laws which take place with regard to all their neighbours, merely because they might be capable of thriving if they had such an exemption, would certainly not be reasonable. To render such an establishment perfectly reasonable, with the circumstance of being reducible to strict rule and method, two other circumstances ought to concur: first, it ought to appear with the clearest evidence, that the undertaking is of greater and more general utility than the greater part of common trades; and, secondly, that it requires a greater capital than can easily be collected

[1] This privilege was restricted in 1826 to within a circle of sixty-five miles round London. A bank for the issue of notes or paper money established beyond that distance may now consist of any number of partners; and banks of deposit, or banks for taking care of other people's money, may consist of any number of partners, either in London or anywhere else.

[2] There are now several joint stock banking companies which issue notes in Edinburgh and other parts of Scotland.

into a private copartnery. If a moderate capital were sufficient, the great utility of the undertaking would not be a sufficient reason for establishing a joint stock company, because in this case the demand for what it was to produce would readily and easily be supplied by private adventurers. In the four trades above mentioned, both those circumstances concur.

The great and general utility of the banking trade, when prudently managed, has been fully explained in the second book of this inquiry. But a public bank which is to support public credit, and upon particular emergencies to advance to government the whole produce of a tax, to the amount perhaps of several millions, a year or two before it comes in, requires a greater capital than can easily be collected into any private copartnery.

The trade of insurance gives great security to the fortunes of private people, and by dividing among a great many that loss which would ruin an individual, makes it fall light and easy upon the whole society. In order to give this security, however, it is necessary that the insurers should have a very large capital. Before the establishment of the two joint stock companies for insurance in London, a list, it is said, was laid before the attorney-general, of one hundred and fifty private insurers who had failed in the course of a few years.

That navigable cuts and canals, and the works which are sometimes necessary for supplying a great city with water, are of great and general utility, while, at the same time, they frequently require a greater expense than suits the fortunes of private people, is sufficiently obvious.

Except the four trades above mentioned, I have not been able to recollect any other, in which all the three circumstances requisite for rendering reasonable the establishment of a joint stock company concur. The English copper company of London, the lead smelting company, the glass grinding company, have not even the pretext of any great or singular utility in the object which they pursue; nor does the pursuit of that object seem to require any expense unsuitable to the fortunes of many private men. Whether the trade which those companies carry on is reducible to such strict rule and method as to render it fit for the management of a joint stock company, or whether they have any reason to boast of their extraordinary profits, I do not pretend to know. The mine adventurers company has been long ago bankrupt. A share in the stock of the British Linen Company of Edinburgh sells, at present, very much below par, though less so than it did some years ago. The joint stock companies, which are established for the public-spirited purpose of promoting some particular manufacture, over and above managing their own affairs ill, to the diminution of the general stock of the society, can, in other respects, scarce ever fail to do more harm than good. Notwithstanding the most upright intentions, the unavoidable partiality of their directors to particular branches of the manufacture, of which the undertakers mislead and impose upon them, is a real discouragement to the rest, and necessarily breaks, more or less, that natural proportion which would otherwise establish itself between judicious industry and profit, and which, to the general industry of the country, is of all encouragements the greatest and the most effectual.

ARTICLE II.

Of the Expense of the Institutions for the Education of Youth.

The institutions for the education of youth may, in the same manner, furnish a revenue sufficient for defraying their own expense. The fee or honorary which the scholar pays to the master naturally constitutes a revenue of this kind.

Even where the reward of the master does not arise altogether from this natural revenue it still is not necessary that it should be derived from that general revenue of the society, of which the collection and application is, in most countries, assigned to the executive power. Through the greater part of Europe, accordingly, the endowment of schools and colleges makes either no charge upon that general revenue, or but a very small one. It everywhere arises chiefly from some local or provincial revenue, from the rent of some landed estate, or from the interest of some sum of money allotted and put under the management of trustees for this particular purpose, sometimes by the sovereign himself, and sometimes by some private donor.

Have those public endowments contributed, in general, to promote the end of their institution? Have they contributed to encourage the diligence, and to improve the abilities of the teachers? Have they directed the course of education towards objects more useful, both to the individual and to the public, than those to which it would naturally have gone of its own accord? It should not seem very difficult to give at least a probable answer to each of those questions.

In every profession, the exertion of the greater part of those who exercise it is always in proportion to the necessity they are under of making that exertion. This necessity is greatest with those to whom the emoluments of their profession are the only source from which they expect their fortune, or even their ordinary revenue and subsistence. In order to acquire this fortune, or

even to get this subsistence, they must, in the course of a year, execute a certain quantity of work of a known value; and, where the competition is free, the rivalship of competitors, who are all endeavouring to justle one another out of employment, obliges every man to endeavour to execute his work with a certain degree of exactness. The greatness of the objects which are to be acquired by success in some particular professions may, no doubt, sometimes animate the exertions of a few men of extraordinary spirit and ambition. Great objects, however, are evidently not necessary in order to occasion the greatest exertions. Rivalship and emulation render excellency, even in mean professions, an object of ambition, and frequently occasion the very greatest exertions. Great objects, on the contrary, alone and unsupported by the necessity of application, have seldom been sufficient to occasion any considerable exertion. In England, success in the profession of the law leads to some very great objects of ambition; and yet how few men, born to easy fortunes, have ever in this country been eminent in that profession!

The endowments of schools and colleges have necessarily diminished more or less, the necessity of application in the teachers. Their subsistence, so far as it arises from their salaries, is evidently derived from a fund altogether independent of their success and reputation in their particular professions.

In some universities the salary makes but a part, and frequently put a small part, of the emoluments of the teacher, of which the greater part arises from the honoraries or fees of his pupils. The necessity of application, though always more or less diminished, is not, in this case, entirely taken away. Reputation in his profession is still of some importance to him, and he still has some dependency upon the affection, gratitude, and favourable report of those who have attended upon his instructions; and these favourable sentiments he is likely to gain in no way so well as by deserving them, that is, by the abilities and diligence with which he discharges every part of his duty.

In other universities the teacher is prohibited from receiving any honorary or fee from his pupils, and his salary constitutes the whole of the revenue which he derives from his office. His interest is, in this case, set as directly in opposition to his duty as it is possible to set it. It is the interest of every man to live as much at his ease as he can; and if his emoluments are to be precisely the same, whether he does or does not perform some very laborious duty, it is certainly his interest, at least as interest is vulgarly understood, either to neglect it altogether, or if he is subject to some authority which will not suffer him to do this, to perform it in as careless and slovenly a manner as that authority will permit. If he is naturally active and a lover of labour, it is his interest to employ that activity in any way from which he can derive some advantage, rather than in the performance of his duty, from which he can derive none.

If the authority to which he is subject resides in the body corporate, the college, or university, of which he himself is a member, and in which the greater part of the other members are, like himself, persons who either are or ought to be teachers, they are likely to make a common cause, to be all very indulgent to one another, and every man to consent that his neighbour may neglect his duty, provided he himself is allowed to neglect his own. In the university of Oxford, the greater part of the public professors have, for these many years, given up altogether even the pretence of teaching.

If the authority to which he is subject resides not so much in the body corporate of which he is a member as in some other extraneous persons, in the bishop of the diocese, for example, in the governor of the province, or perhaps in some minister of state, it is not indeed in this case very likely that he will be suffered to neglect his duty altogether. All that such superiors, however, can force him to do is to attend upon his pupils a certain number of hours, that is, to give a certain number of lectures in the week, or in the year. What those lectures shall be, must still depend upon the diligence of the teacher; and that diligence is likely to be proportioned to the motives which he has for exerting it. An extraneous jurisdiction of this kind, besides, is liable to be exercised both ignorantly and capriciously. In its nature it is arbitrary and discretionary: and the persons who exercise it, neither attending upon the lectures of the teacher themselves, nor perhaps understanding the sciences which it his business to teach, are seldom capable of exercising it with judgment. From the insolence of office, too, they are frequently indifferent how they exercise it, and are very apt to censure or deprive him of his office wantonly and without any just cause. The person subject to such jurisdiction is necessarily degraded by it, and, instead of being one of the most respectable, is rendered one of the meanest and most contemptible persons in the society. It is by powerful protection only that he can effectually guard himself against the bad usage to which he is at all times exposed; and this protection he is most likely to gain, not by ability or diligence in his profession, but by obsequiousness to the will of his superiors, and by being ready at all times to sacrifice to that will the rights, the interest, and the honour of the body cor-

porate of which he is a member. Whoever has attended for any considerable time to the administration of a French university must have had occasion to remark the effects which naturally result from an arbitrary and extraneous jurisdiction of this kind.

Whatever forces a certain number of students to any college or university, independent of the merit or reputation of the teachers, tends more or less to diminish the necessity of that merit or reputation.

The privileges of graduates in arts, in law, physic and divinity, when they can be obtained only by residing a certain number of years in certain universities, necessarily force a certain number of students to such universities, independent of the merit or reputation of the teachers. The privileges of graduates are a sort of statutes of apprenticeship, which have contributed to the improvement of education, just as the other statutes of apprenticeship have to that of arts and manufactures.

The charitable foundations of scholarships, exhibitions, bursaries, &c. necessarily attach a certain number of students to certain colleges, independent altogether of the merit of those particular colleges. Were the students upon such charitable foundations left free to choose what college they liked best, such liberty might perhaps contribute to excite some emulation among different colleges. A regulation, on the contrary, which prohibited even the independent members of every particular college from leaving it, and going to any other, without leave first asked and obtained of that which they meant to abandon, would tend very much to extinguish that emulation.

If in each college the tutor or teacher, who was to instruct each student in all arts and sciences should not be voluntarily chosen by the student, but appointed by the head of the college; and if, in case of neglect, inability, or bad usage, the student should not be allowed to change him for another, without leave first asked and obtained; such a regulation would not only tend very much to extinguish all emulation among the different tutors of the same college, but to diminish very much in all of them the necessity of diligence and of attention to their respective pupils. Such teachers, though very well paid by their students, might be as much disposed to neglect them as those who are not paid by them at all, or who have no other recompense but their salary.

If the teacher happens to be a man of sense, it must be an unpleasant thing to him to be conscious, while he is lecturing to his students, that he is either speaking or reading nonsense, or what is very little better than nonsense. It must, too, be unpleasant to him to observe that the greater part of his students desert his lectures, or perhaps attend upon them with plain enough marks of neglect, contempt, and derision. If he is obliged, therefore, to give a certain number of lectures, these motives alone, without any other interest, might dispose him to take some pains to give tolerably good ones. Several different expedients, however, may be fallen upon, which will effectually blunt the edge of all those incitements to diligence. The teacher, instead of explaining to his pupils himself the science in which he proposes to instruct them, may read some book upon it; and if this book is written in a foreign and dead language by interpreting it to them into their own, or, what would give him still less trouble, by making them interpret it to him, and by now and then making an occasional remark upon it, he may flatter himself that he is giving a lecture. The slightest degree of knowledge and application will enable him to do this, without exposing himself to contempt or derision, or saying any thing that is really foolish, absurd, or ridiculous. The discipline of the college, at the same time, may enable him to force all his pupils to the most regular attendance upon his sham lecture, and to maintain the most decent and respectful behaviour during the whole time of the performance.

The discipline of colleges and universities is in general contrived, not for the benefit of the students, but for the interest, or, more properly speaking, for the ease of the masters. Its object is, in all cases, to maintain the authority of the master, and, whether he neglects or performs his duty, to oblige the students in all cases to behave to him as if he performed it with the greatest diligence and ability. It seems to presume perfect wisdom and virtue in the one order, and the greatest weakness and folly in the other. Where the masters, however really perform their duty, there are no examples, I believe, that the greater part of the students ever neglect theirs. No discipline is ever requisite to force attendance upon lectures which are really worth the attending, as is well known wherever any such lectures are given. Force and restraint may, no doubt, be in some degree requisite, in order to oblige children, or very young boys, to attend to those parts of education which it is thought necessary for them to acquire during that early period of life; but after twelve or thirteen years of age, provided the master does his duty, force or restraint can scarce ever be necessary to carry on any part of education. Such is the generosity of the greater part of young men, that, so far from being disposed to neglect or despise the instructions of their master, provided he shows some serious intention of being of use to them, they are generally inclined to pardon a great deal of incorrect-

ness in the performance of his duty, and sometimes even to conceal from the public a good deal of gross negligence.

Those parts of education, it is to be observed, for the teaching of which there are no public institutions, are generally the best taught. When a young man goes to a fencing or a dancing school, he does not, indeed, always learn to fence or to dance very well; but he seldom fails of learning to fence or to dance. The good effects of the riding school are not commonly so evident. The expense of a riding school is so great, that in most places it is a public institution. The three most essential parts of literary education, to read, write, and account, it still continues to be more common to acquire in private than in public schools; and it very seldom happens that any body fails of acquiring them to the degree in which it is necessary to acquire them.

In England, the public schools are much less corrupted than the universities. In the schools the youth are taught, or at least may be taught, Greek and Latin; that is, every thing which the masters pretend to teach, or which it is expected they should teach. In the universities the youth neither are taught, nor always can find any proper means of being taught, the sciences, which it is the business of those incorporated bodies to teach. The reward of the schoolmaster in most cases depends principally, in some cases almost entirely, upon the fees or honoraries of his scholars. Schools have no exclusive privileges. In order to obtain the honours of graduation, it is not necessary that a person should bring a certificate of his having studied a certain number of years at a public school. If upon examination he appears to understand what is taught there, no questions are asked about the place where he learnt it.

The parts of education which are commonly taught in universities, it may perhaps be said, are not very well taught. But had it not been for those institutions, they would not have been commonly taught at all; and both the individual and the public would have suffered a good deal from the want of those important parts of education.

The present universities of Europe were originally, the greater part of them, ecclesiastical corporations, instituted for the education of churchmen. They were founded by the authority of the pope, and were so entirely under his immediate protection, that their members, whether masters or students, had all of them what was then called the benefit of clergy, that is, were exempt from the civil jurisdiction of the countries in which their respective universities were situated, and were amenable only to the ecclesiastical tribunals. What was taught in the greater part of those universities was suitable to the end of their institution, either theology, or something that was merely preparatory to theology.

When Christianity was first established by law, a corrupted Latin had become the common language of all the western parts of Europe. The service of the church, accordingly, and the translation of the Bible which was read in churches, were both in that corrupted Latin; that is, in the common language of the country. After the irruption of the barbarous nations who overturned the Roman empire, Latin gradually ceased to be the language of any part of Europe. But the reverence of the people naturally preserves the established forms and ceremonies of religion long after the circumstances which first introduced and rendered them reasonable are no more. Though Latin, therefore, was no longer understood any where by the great body of the people, the whole service of the church still continued to be performed in that language. Two different languages were thus established in Europe, in the same manner as in ancient Egypt: a language of the priests, and a language of the people; a sacred and a profane, a learned and an unlearned language. But it was necessary that the priests should understand something of that sacred and learned language in which they were to officiate; and the study of the Latin language therefore made, from the beginning, an essential part of university education.

It was not so with that either of the Greek or of the Hebrew language. The infallible decrees of the church had pronounced the Latin translation of the Bible, commonly called the Latin Vulgate, to have been equally dictated by divine inspiration, and therefore of equal authority with the Greek and Hebrew originals. The knowledge of those two languages, therefore, not being indispensably requisite to a churchman, the study of them did not for a long time make a necessary part of the common course of university education. There are some Spanish universities, I am assured, in which the study of the Greek language has never yet made any part of that course. The first reformers found the Greek text of the New Testament, and even the Hebrew text of the Old, more favourable to their opinions than the vulgate translation, which, as might naturally be supposed, had been gradually accommodated to support the doctrines of the Catholic Church. They set themselves, therefore, to expose the many errors of that translation, which the Roman Catholic clergy were thus put under the necessity of defending or explaining. But this could not well be done without some knowledge of the original languages, of which the study was therefore gradually introduced into the greater part of universities; both of those

which embraced, and of those which rejected the doctrines of the Reformation. The Greek language was connected with every part of that classical learning which, though at first principally cultivated by Catholics and Italians, happened to come into fashion much about the same time that the doctrines of the Reformation were set on foot. In the greater part of universities, therefore, that language was taught previous to the study of philosophy, and as soon as the student had made some progress in the Latin. The Hebrew language having no connection with classical learning, and, except the holy scriptures, being the language of not a single book in any esteem, the study of it did not commonly commence till after that of philosophy, and when the student had entered upon the study of theology.

Originally the first rudiments both of the Greek and Latin languages were taught in universities, and in some universities they still continue to be so. In others it is expected that the student should have previously acquired at least the rudiments of one or both of those languages, of which the study continues to make everywhere a very considerable part of university education.

The ancient Greek philosophy was divided into three great branches: physics, or natural philosophy; ethics, or moral philosophy; and logic. This general division seems perfectly agreeable to the nature of things.

The great phenomena of nature, the revolutions of the heavenly bodies, eclipses, comets; thunder, lightning, and other extraordinary meteors; the generation, the life, growth, and dissolution of plants and animals; are objects which, as they necessarily excite the wonder, so they naturally call forth the curiosity, of mankind to inquire into their causes. Superstition first attempted to satisfy this curiosity, by referring all those wonderful appearances to the immediate agency of the gods. Philosophy afterwards endeavoured to account for them from more familiar causes, or from such as mankind were better acquainted with than the agency of the gods. As those great phenomena are the first objects of human curiosity, so the science which pretends to explain them must naturally have been the first branch of philosophy that was cultivated. The first philosophers, accordingly, of whom history has preserved any account, appear to have been natural philosophers.

In every age and country of the world, men must have attended to the characters, designs, and actions of one another; and many reputable rules and maxims for the conduct of human life must have been laid down and approved of by common consent. As soon as writing came into fashion, wise men, or those who fancied themselves such, would naturally endeavour to increase the number of those established and respected maxims, and to express their own sense of what was either proper or improper conduct, sometimes in the more artificial form of apologues, like what are called the fables of Æsop; and sometimes in the more simple one of apophthegms, or wise sayings, like the Proverbs of Solomon, the verses of Theognis and Phocylides, and some part of the works of Hesiod. They might continue in this manner for a long time merely to multiply the number of those maxims of prudence and morality, without even attempting to arrange them in any very distinct or methodical order, much less to connect them together by one or more general principles, from which they were all deducible, like effects from their natural causes. The beauty of a systematical arrangement of different observations connected by a few common principles, was first seen in the rude essays of those ancient times towards a system of natural philosophy. Something of the same kind was afterwards attempted in morals. The maxims of common life were arranged in some methodical order, and connected together by a few common principles, in the same manner as they had attempted to arrange and connect the phenomena of nature. The science which pretends to investigate and explain those connecting principles, is what is properly called moral philosophy.

Different authors give different systems both of natural and moral philosophy; but the arguments by which they supported those different systems, far from being always demonstrations, were frequently at best but very slender probabilities, and sometimes mere sophisms, which had no other foundation but the inaccuracy and ambiguity of common language. Speculative systems have, in all ages of the world, been adopted for reasons too frivolous to have determined the judgment of any man of common sense, in a matter of the smallest pecuniary interest. Gross sophistry has scarce ever had any influence upon the opinions of mankind, except in matters of philosophy and speculation; and in these it has frequently had the greatest. The patrons of each system of natural and moral philosophy naturally endeavoured to expose the weakness of the arguments adduced to support the systems which were opposite to their own. In examining those arguments, they were necessarily led to consider the difference between a probable and a demonstrative argument, between a fallacious and a conclusive one; and logic, or the science of the general principles of good and bad reasoning, necessarily arose out of the observations which a scrutiny of this kind gave occasion to. Though in its origin posterior both to physics and to ethics, it was commonly taught, not indeed in all, but in the greater part of the ancient schools

of philosophy, previously to either of those sciences. The student, it seems to have been thought, ought to understand well the difference between good and bad reasoning, before he was led to reason upon subjects of so great importance.

This ancient division of philosophy into three parts was in the greater part of the universities of Europe, changed for another into five.

In the ancient philosophy, whatever was taught concerning the nature of the human mind or of the Deity, made a part of the system of physics. Those beings, in whatever their essence might be supposed to consist, were parts of the great system of the universe, and parts, too, productive of the most important effects. Whatever human reason could either conclude or conjecture concerning them, made, as it were, two chapters, though no doubt two very important ones, of the science which pretended to give an account of the origin and revolutions of the great system of the universe. But in the universities of Europe, where philosophy was taught only as subservient to theology, it was natural to dwell longer upon these two chapters than upon any other of the science. They were gradually more and more extended, and were divided into many inferior chapters, till at last the doctrine of spirits, of which so little can be known, came to take up as much room in the system of philosophy as the doctrine of bodies, of which so much can be known. The doctrines concerning those two subjects were considered as making two distinct sciences. What are called metaphysics, or pneumatics, were set in opposition to physics, and were cultivated not only as the more sublime, but for the purposes of a particular profession, as the more useful science of the two. The proper subject of experiment and observation, a subject in which a careful attention is capable of making so many useful discoveries, was almost entirely neglected. The subject in which, after a few very simple and almost obvious truths, the most careful attention can discover nothing but obscurity and uncertainty, and can consequently produce nothing but subtleties and sophisms, was greatly cultivated.

When those two sciences had thus been set in opposition to one another, the comparison between them naturally gave birth to a third, to what was called ontology, or the science which treated of the qualities and attributes which were common to both the subjects of the other two sciences. But if subtleties and sophisms composed the greater part of the metaphysics or pneumatics of the schools, they composed the whole of this cobweb science of ontology, which was likewise sometimes called metaphysics.

Wherein consisted the happiness and perfection of a man, considered not only as an individual, but as the member of a family, of a state, and of the great society of mankind, was the object which the ancient moral philosophy proposed to investigate. In that philosophy, the duties of human life were treated of as subservient to the happiness and perfection of human life. But when moral as well as natural philosophy came to be taught only as subservient to theology, the duties of human life were treated of as chiefly subservient to the happiness of a life to come. In the ancient philosophy, the perfection of virtue was represented as necessarily productive, to the person who possessed it, of the most perfect happiness in this life. In the modern philosophy, it was frequently represented as generally, or rather as almost always, inconsistent with any degree of happiness in this life; and heaven was to be earned only by penance and mortification, by the austerities and abasement of a monk, not by the liberal, generous, and spirited conduct of a man. Casuistry and an ascetic morality made up, in most cases, the greater part of the moral philosophy of the schools. By far the most important of all the different branches of philosophy became in this manner by far the most corrupted.

Such, therefore, was the common course of philosophical education in the greater part of the universities in Europe. Logic was taught first: ontology came in the second place: pneumatology, comprehending the doctrine concerning the nature of the human soul and of the Deity, in the third: in the fourth followed a debased system of moral philosophy, which was considered as immediately connected with the doctrines of pneumatology, with the immortality of the human soul, and with the rewards and punishments which, from the justice of the Deity, were to be expected in a life to come: a short and superficial system of physics usually concluded the course.

The alterations which the universities of Europe thus introduced into the ancient course of philosophy were all meant for the education of ecclesiastics, and to render it a more proper introduction to the study of theology. But the additional quantity of subtlety and sophistry, the casuistry and the ascetic morality which those alterations introduced into it, certainly did not render it more proper for the education of gentlemen or men of the world, or more likely either to improve the understanding or to mend the heart.

This course of philosophy is what still continues to be taught in the greater part of the universities of Europe; with more or less diligence, according as the constitution of each particular university happens to render diligence more or less necessary to the teachers. In some of the richest and b[illegible]

endowed universities, the tutors content themselves with teaching a few unconnected shreds and parcels of this corrupted course; and even these they commonly teach very negligently and superficially.

The improvements which in modern times have been made in several different branches of philosophy have not, the greater part of them, been made in universities, though some no doubt have. The greater part of universities have not even been very forward to adopt those improvements after they were made; and several of those learned societies have chosen to remain for a long time the sanctuaries in which exploded systems and obsolete prejudices found shelter and protection, after they had been hunted out of every other corner of the world. In general, the richest and best endowed universities have been slowest in adopting those improvements, and the most averse to permit any considerable change in the established plan of education. Those improvements were more easily introduced into some of the poorer universities, in which the teachers, depending upon their reputation for the greater part of their subsistence, were obliged to pay more attention to the current opinions of the world.

But though the public schools and universities of Europe were originally intended only for the education of a particular profession—that of churchmen; and though they were not always very diligent in instructing their pupils even in the sciences which were supposed necessary for that profession, yet they gradually drew to themselves the education of almost all other people, particularly of almost all gentlemen and men of fortune. No better method, it seems, could be fallen upon of spending, with any advantage, the long interval between infancy and that period of life at which men begin to apply in good earnest to the real business of the world, the business which is to employ them during the remainder of their days. The greater part of what is taught in schools and universities, however, does not seem to be the most proper preparation for that business.

In England, it becomes every day more and more the custom to send young people to travel in foreign countries immediately upon their leaving school, and without sending them to any university. Our young people, it is said, generally return home much improved by their travels. A young man who goes abroad at seventeen or eighteen, and returns home at one-and-twenty, returns three or four years older than he was when he went abroad; and at that age it is very difficult not to improve a good deal in three or four years. In the course of his travels, he generally acquires some knowledge of one or two foreign languages; a knowledge, however, which is seldom sufficient to enable him either to speak or write them with propriety. In other respects, he commonly returns home more conceited, more unprincipled, more dissipated, and more incapable of any serious application either to study or to business, than he could well have become in so short a time, had he lived at home. By travelling so very young—by spending in the most frivolous dissipation the most precious years of his life, at a distance from the inspection and control of his parents and relations, every useful habit which the earlier parts of his education might have had some tendency to form in him, instead of being rivetted and confirmed, is almost necessarily either weakened or effaced. Nothing but the discredit into which the universities are allowing themselves to fall, could ever have brought into repute so very absurd a practice as that of travelling at this early period of life. By sending his son abroad, a father delivers himself, at least for some time, from so disagreeable an object as that of a son unemployed, neglected, and going to ruin before his eyes.

Such have been the effects of some of the modern institutions for education.

Different plans and different institutions for education seem to have taken place in other ages and nations.

In the republics of ancient Greece, every free citizen was instructed, under the direction of the public magistrate, in gymnastic exercises and in music. By gymnastic exercises it was intended to harden his body, to sharpen his courage, and to prepare him for the fatigues and dangers of war; and as the Greek militia was, by all accounts, one of the best that ever was in the world, this part of their public education must have answered completely the purpose for which it was intended. By the other part, music, it was proposed, at least by the philosophers and historians who have given us an account of those institutions, to humanise the mind, to soften the temper, and to dispose it for performing all the social and moral duties of public and private life.

In ancient Rome, the exercises of the Campus Martius answered the same purpose as those of the Gymnasium in ancient Greece, and they seem to have answered it equally well. But among the Romans there was nothing which corresponded to the musical education of the Greeks. The morals of the Romans, however, both in private and public life, seem to have been not only equal, but, upon the whole, a good deal superior, to those of the Greeks. That they were superior in private life we have the express testimony of Polybius and of Dionysius of Halicarnassus, two authors well acquainted with both nations; and the whole tenor of the Greek and

Roman history bears witness to the superiority of the public morals of the Romans. The good temper and moderation of contending factions seems to be the most essential circumstances in the public morals of a free people But the factions of the Greeks were almost always violent and sanguinary; whereas, till the time of the Gracchi, no blood had ever been shed in any Roman faction; and from the time of the Gracchi, the Roman republic may be considered as in reality dissolved. Notwithstanding, therefore, the very respectable authority of Plato, Aristotle, and Polybius, and notwithstanding the very ingenious reasons by which Mr. Montesquieu endeavours to support that authority, it seems probable that the musical education of the Greeks had no great effect in mending their morals, since, without any such education, those of the Romans were upon the whole superior. The respect of those ancient sages for the institutions of their ancestors had probably disposed them to find much political wisdom in what was perhaps merely an ancient custom, continued without interruption from the earliest period of those societies, to the times in which they had arrived at a considerable degree of refinement. Music and dancing are the great amusements of almost all barbarous nations, and the great accomplishments which are supposed to fit any man for entertaining his society. It is so at this day among the negroes on the coast of Africa. It was so among the ancient Celts, among the ancient Scandinavians, and, as we may learn from Homer, among the ancient Greeks in the times preceding the Trojan war. When the Greek tribes had formed themselves into little republics, it was natural that the study of those accomplishments should for a long time make a part of the public and common education of the people.

The masters who instructed the young people either in music or in military exercises, do not seem to have been paid or even appointed by the state, either in Rome or even in Athens, the Greek republic of whose laws and customs we are the best informed. The state required that every free citizen should fit himself for defending it in war, and should, upon that account, learn his military exercises; but it left him to learn them of such masters as he could find, and it seems to have advanced nothing for this purpose, but a public field or place of exercise, in which he should practise and perform them.

In the early ages both of the Greek and Roman republics, the other parts of education seem to have consisted in learning to read, write, and account according to the arithmetic of the times. These accomplishments the richer citizens seem frequently to have acquired at home, by the assistance of some domestic pedagogue, who was generally either a slave or a freedman; and the poorer citizens, in the schools of such masters as made a trade of teaching for hire. Such parts of education, however, were abandoned altogether to the care of the parents or guardians of each individual. It does not appear that the state ever assumed any inspection or direction of them. By a law of Solon, indeed, the children were acquitted from maintaining those parents in their old age who had neglected to instruct them in some profitable trade or business.

In the progress of refinement, when philosophy and rhetoric came into fashion, the better sort of people used to send their children to the schools of philosophers and rhetoricians, in order to be instructed in these fashionable sciences; but those schools were not supported by the public: they were for a long time barely tolerated by it. The demand for philosophy and rhetoric was for a long time so small, that the first professed teachers of either could not find constant employment in any one city, but were obliged to travel about from place to place. In this manner lived Zeno of Elea, Protagoras, Gorgias, Hippias, and many others. As the demand increased, the schools both of philosophy and rhetoric became stationary: first in Athens, and afterwards in several other cities. The state, however, seems never to have encouraged them further than by assigning to some of them a particular place to teach in, which was sometimes done too by private donors. The state seems to have assigned the Academy to Plato, the Lyceum to Aristotle, and the Portico to Zeno of Citta, the founder of the Stoics. But Epicurus bequeathed his gardens to his own school. Till about the time of Marcus Antoninus, however, no teacher appears to have had any salary from the public, or to have had any other emoluments but what arose from the honoraries or fees of his scholars. The bounty which that philosophical emperor, as we learn from Lucian, bestowed upon one of the teachers of philosophy, probably lasted no longer than his own life. There was nothing equivalent to the privileges of graduation; and to have attended any of those schools was not necessary, in order to be permitted to practise any particular trade or profession. If the opinion of their own utility could not draw scholars to them, the law neither forced any body to go to them, nor rewarded any body for having gone to them. The teachers had no jurisdiction over their pupils, nor any other authority besides that natural authority which superior virtue and abilities never fail to procure from young people towards those who are intrusted with any part of their education.

At Rome, the study of the civil law made a part of the education, not of the greater

part of the citizens, but of some particular families. The young people, however, who wished to acquire knowledge in the law, had no public school to go to, and had no other method of studying it than by frequenting the company of such of their relations and friends as were supposed to understand it. It is, perhaps, worth while to remark, that though the laws of the twelve tables were, many of them, copied from those of some ancient Greek republics, yet law never seems to have grown up to be a science in any republic of ancient Greece. In Rome it became a science very early, and gave a considerable degree of illustration to those citizens who had the reputation of understanding it. In the republics of ancient Greece, particularly in Athens, the ordinary courts of justice consisted of numerous, and therefore disorderly, bodies of people, who frequently decided almost at random, or as clamour, faction, and party spirit happened to determine. The ignominy of an unjust decision, when it was to be divided among five hundred, a thousand, or fifteen hundred people, (for some of their courts were so very numerous,) could not fall very heavy upon any individual. At Rome, on the contrary, the principal courts of justice consisted either of a single judge, or of a small number of judges, whose characters, especially as they deliberated always in public, could not fail to be very much affected by any rash or unjust decision. In doubtful cases, such courts, from their anxiety to avoid blame, would naturally endeavour to shelter themselves under the example or precedent of the judges who had sat before them either in the same or in some other court. This attention to practice and precedent necessarily formed the Roman law into that regular and orderly system in which it has been delivered down to us; and the like attention has had the like effects upon the laws of every other country where such attention has taken place. The superiority of character in the Romans over that of the Greeks, so much remarked by Polybius and Dionysius of Halicarnassus, was probably more owing to the better constitution of their courts of justice than to any of the circumstances to which those authors ascribe it. The Romans are said to have been particularly distinguished for their superior respect to an oath; but the people who were accustomed to make oath only before some diligent and well-informed court of justice would naturally be much more attentive to what they swore, than they who were accustomed to do the same thing before mobbish and disorderly assemblies.

The abilities, both civil and military, of the Greeks and Romans, will readily be allowed to have been at least equal to those of any modern nation; our prejudice is, perhaps, rather to overrate them. But except in what related to military exercises, the state seems to have been at no pains to form those great abilities; for I cannot be induced to believe that the musical education of the Greeks could be of much consequence in forming them. Masters, however, had been found, it seems, for instructing the better sort of people among those nations in every art and science in which the circumstances of their society rendered it necessary or convenient for them to be instructed. The demand for such instruction produced, what it always produces, the talent for giving it; and the emulation which an unrestained competition never fails to excite appears to have brought that talent to a very high degree of perfection. In the attention which the ancient philosophers excited, in the empire which they acquired over the opinions and principles of their auditors, in the faculty which they possessed of giving a certain tone and character to the conduct and conversation of those auditors, they appear to have been much superior to any modern teachers. In modern times, the diligence of public teachers is more or less corrupted by the circumstances which render them more or less independent of their success and reputation in their particular professions. Their salaries, too, put the private teacher, who would pretend to come into competition with them, in the same state with a merchant who attempts to trade without a bounty, in competition with those who trade with a considerable one. If he sells his goods at nearly the same price he cannot have the same profit; and poverty and beggary at least, if not bankruptcy and ruin, will infallibly be his lot. If he attempts to sell them much dearer he is likely to have so few customers, that his circumstances will not be much mended. The privileges of graduation, besides, are in many countries necessary, or at least extremely convenient, to most men of learned professions; that is, to the far greater part of those who have occasion for a learned education But those privileges can be obtained only by attending the lectures of the public teachers. The most careful attendance upon the ablest instructions of any private teacher cannot always give any title to demand them. It is from these different causes that the private teacher of any of the sciences which are commonly taught in universities is, in modern times, generally considered as in the very lowest order of men of letters. A man of real abilities can scarce find out a more humiliating or a more unprofitable employment to turn them to. The endowments of schools and colleges have, in this manner, not only corrupted the diligence of public teachers, but have rendered it almost impossible to have any good private ones.

Were there no public institutions for edu-

cation, no system, no science would be taught for which there was not some demand, or which the circumstances of the times did not render it either necessary or convenient, or at least fashionable, to learn. A private teacher could never find his account in teaching either an exploded and antiquated system of a science acknowledged to be useful, or a science universally believed to be a mere useless and pedantic heap of sophistry and nonsense. Such systems, such sciences, can subsist nowhere but in those incorporated societies for education, whose prosperity and revenue are in a great measure independent of their reputation, and altogether independent of their industry. Were there no public institutions for education, a gentleman, after going through, with application and abilities, the most complete course of education which the circumstances of the times were supposed to afford, could not come into the world completely ignorant of every thing which is the common subject of conversation among gentlemen and men of the world.

There are no public institutions for the education of women, and there is accordingly nothing useless, absurd, or fantastical, in the common course of their education. They are taught what their parents or guardians judge it necessary or useful for them to learn, and they are taught nothing else. Every part of their education tends evidently to some useful purpose: either to improve the natural attractions of their person, or to form their mind to reserve, to modesty, to chastity, and to economy; to render them both likely to become the mistresses of a family, and to behave properly when they have become such. In every part of her life a woman feels some conveniency or advantage from every part of her education. It seldom happens that a man, in any part of his life, derives any conveniency or advantage from some of the most laborious and troublesome parts of his education.

Ought the public, therefore, to give no attention, it may be asked, to the education of the people? Or, if it ought to give any, what are the different parts of education which it ought to attend to in the different orders of the people? and in what manner ought it to attend to them?

In some cases the state of society necessarily places the greater part of individuals in such situations as naturally form in them, without any attention of government, almost all the abilities and virtues which that state requires, or perhaps can admit of. In other cases the state of the society does not place the greater part of the individuals in such situations, and some attention of government is necessary in order to prevent the almost entire corruption and degeneracy of the great body of the people.

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are perhaps always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues. But in every improved and civilised society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.[1]

It is otherwise in the barbarous societies,

[1] The statements in this paragraph are as unfounded as can well be imagined. We have already (*ante*, p. ..) endeavoured to show that there is no ground whatever for the notion that agricultural labourers are more intelligent than those employed in manufactures and commerce, or that the faculties of the latter are impaired in consequence of their being generally confined to particular callings. The fact is, in both distinctly and completely the reverse; the manufacturing population being uniformly better informed than the agricultural, and their intelligence having improved according to the increase of their numbers, and the greater subdivision of their employments. The notion that manufactures are hostile to the social and martial virtues of the workpeople engaged in carrying them on, is, if possible, still more erroneous. The cities and countries, both in antiquity and in modern times, that have been most distinguished by their proficiency in the arts and in commerce, have at the same time been the most distinguished by their patriotism and courage. But it is unnecessary to travel out of Great

as they are commonly called, of hunters, of shepherds, and even of husbandmen in that rude state of husbandry which precedes the improvement of manufactures, and the extension of foreign commerce. In such societies the varied occupations of every man oblige every man to exert his capacity, and to invent expedients for removing difficulties which are continually occurring. Invention is kept alive, and the mind is not suffered to fall into that drowsy stupidity, which, in a civilised society, seems to benumb the understanding of almost all the inferior ranks of people. In those barbarous societies, as they are called, every man, it has already been observed, is a warrior. Every man too is in some measure a statesman, and can form a tolerable judgment concerning the interest of the society, and the conduct of those who govern it. How far their chiefs are good judges in peace, or good leaders in war, is obvious to the observation of almost every single man among them. In such a society, indeed, no man can well acquire that improved and refined understanding which a few men sometimes possess in a more civilised state. Though in a rude society there is a good deal of variety in the occupations of every individual, there is not a great deal in those of the whole society. Every man does, or is capable of doing, almost every thing which any other man does, or is capable of doing. Every man has a considerable degree of knowledge, ingenuity, and invention; but scarce any man has a great degree. The degree, however, which is commonly possessed is generally sufficient for conducting the whole simple business of the society. In a civilised state, on the contrary, though there is little variety in the occupations of the greater part of the individuals, there is an almost infinite variety in those of the whole society. These varied occupations present an almost infinite variety of objects to the contemplation of those few, who, being attached to no particular occupation themselves, have leisure and inclination to examine the occupations of other people. The contemplation of so great a variety of objects necessarily exercises their minds in endless comparisons and combinations, and renders their understandings, in an extraordinary degree, both acute and comprehensive. Unless those few, however, happen to be placed in some very particular situations, their great abilities, though honourable to themselves, may contribute very little to the good government or happiness of their society. Notwithstanding the great abilities of those few, all the nobler parts of the human character may be, in a great measure, obliterated and extinguished in the great body of the people.

The education of the common people requires, perhaps, in a civilised and commercial society, the attention of the public more than that of people of some rank and fortune.

People of some rank and fortune are generally eighteen or nineteen years of age before they enter upon that particular business, profession, or trade, by which they propose to distinguish themselves in the world. They have before that full time to acquire, or at least to fit themselves for afterwards acquiring, every accomplishment which can recommend them to the public esteem, or render them worthy of it. Their parents or guardians are generally sufficiently anxious that they should be so accomplished, and are, in most cases, willing enough to lay out the expense which is necessary for that purpose. If they are not always properly educated, it is seldom from the want of expense laid out upon their education, but from the improper application of that expense: it is seldom from the want of masters, but from the negligence and incapacity of the masters who are to be had, and from the difficulty, or rather from the impossibility which there is, in the present state of things, of finding any better. The employments too in which people of some rank or fortune spend the greater part of their lives are not, like those of the common people, simple and uniform: they are almost all of them extremely complicated and such as exercise the head more than the hands. The understandings of those who are engaged in such employments can seldom grow torpid for want of exercise. The employments of people of some rank and fortune, besides, are seldom such as harass them from morning to night. They generally have a good deal of leisure, during which they may perfect themselves in every branch either of useful or ornamental knowledge of which they may have laid the foundation, or

for which they may have acquired some taste in the earlier part of life.

It is otherwise with the common people. They have little time to spare for education. Their parents can scarce afford to maintain them even in infancy. As soon as they are able to work, they must apply to some trade by which they can earn their subsistence. That trade too is generally so simple and uniform as to give little exercise to the understanding; while, at the same time, their labour is both so constant and so severe, that it leaves them little leisure and less inclination to apply to, or even to think of any thing else.

But though the common people cannot, in any civilised society, be so well instructed as people of some rank and fortune, the most essential parts of education, however, to read, write, and account, can be acquired at so early a period of life, that the greater part even of those who are to be bred to the lowest occupations, have time to acquire them before they can be employed in those occupations. For a very small expense the public can facilitate, can encourage, and can even impose upon almost the whole body of the people, the necessity of acquiring those most essential parts of education.

The public can facilitate this acquisition, by establishing in every parish or district a little school where children may be taught for a reward so moderate, that even a common labourer may afford it; the master being partly, but not wholly paid by the public; because if he was wholly, or even principally paid by it, he would soon learn to neglect his business. In Scotland[1] the establishment of such parish schools has taught almost the whole common people to read, and a very great proportion of them to write and account. In England the establishment of charity schools has had an effect of the same kind, though not so universally, because the establishment is not so universal. If in those little schools the books, by which the children are taught to read were a little more instructive than they commonly are; and if instead of a little smattering in Latin, which the children of the common people are sometimes taught there, and which can scarce ever be of any use to them, they were instructed in the elementary parts of geometry and mechanics, the literary education of this rank of people would perhaps be as complete as it can be. There is scarce a common trade which does not afford some opportunities of applying to it the principles of geometry and mechanics, and which would not therefore gradually exercise and improve the common people in those principles, the necessary introduction to the most sublime as well as to the most useful sciences.

The public can encourage the acquisition of those most essential parts of education, by giving small premiums, and little badges of distinction, to the children of the common people who excel in them.

The public can impose upon almost the whole body of the people the necessity of acquiring the most essential parts of education, by obliging every man to undergo an examination or probation in them before he can obtain the freedom in any corporation, or be allowed to set up any trade either in a village or town corporate.

It was in this manner, by facilitating the acquisition of their military and gymnastic exercises, by encouraging it, and even by imposing upon the whole body of the people the necessity of learning those exercises, that the Greek and Roman republics maintained the martial spirit of their respective citizens. They facilitated the acquisition of those exercises by appointing a certain place for learning and practising them, and by granting to certain masters the privilege of teaching in that place. Those masters do not appear to have had either salaries or exclusive privileges of any kind. Their reward consisted altogether in what they got from their scholars; and a citizen who had learnt his exercises in the public gymnasia had no sort of legal advantage over one who had learnt them privately, provided the latter had learnt them equally well. Those republics encouraged the acquisition of those exercises, by bestowing little premiums and badges of distinction upon those who excelled in them. To have gained a prize in the Olympic, Isthmian, or Nemæan games, gave illustration, not only to the person who gained it, but to his whole family and kindred. The obligation which every citizen was under to serve a certain number of years, if called upon, in the armies of the republic, sufficiently imposed the necessity of learning those exercises, without which he could not be fit for that service.

That in the progress of improvement the practice of military exercises, unless government takes proper pains to support it, goes gradually to decay, and, together with it, the martial spirit of the great body of the people, the example of modern Europe sufficiently demonstrates. But the security of every society must always depend, more or less, upon the martial spirit of the great body of the people. In the present times, indeed, that martial spirit alone, and unsupported by a well-disciplined standing army, would not, perhaps, be sufficient for the defence and security of any society. But where every citizen had the spirit of a soldier, a smaller standing army would surely be requisite.

[1] The reader will find, in a supplemental note, a short account of the Scotch system of Parochial Education.

That spirit, besides, would necessarily diminish very much the dangers to liberty, whether real or imaginary, which are commonly apprehended from a standing army. As it would very much facilitate the operations of that army against a foreign invader, so it would obstruct them as much if unfortunately they should ever be directed against the constitution of the state.

The ancient institutions of Greece and Rome seem to have been much more effectual, for maintaining the martial spirit of the great body of the people, than the establishment of what are called the militias of modern times. They were much more simple. When they were once established, they executed themselves, and it required little or no attention from government to maintain them in the most perfect vigour. Whereas to maintain, even in tolerable execution, the complex regulations of any modern militia, requires the continual and painful attention of government, without which they are constantly falling into total neglect and disuse. The influence, besides, of the ancient institutions was much more universal. By means of them the whole body of the people was completely instructed in the use of arms. Whereas it is but a very small part of them who can ever be so instructed by the regulations of any modern militia; except, perhaps that of Switzerland. But a coward, a man incapable either of defending or of revenging himself, evidently wants one of the most essential parts of the character of a man. He is as much mutilated and deformed in his mind as another is in his body, who is either deprived of some of its most essential members, or has lost the use of them. He is evidently the more wretched and miserable of the two; because happiness and misery, which reside altogether in the mind, must necessarily depend more upon the healthful or unhealthful, the mutilated or entire state of the mind, than upon that of the body. Even though the martial spirit of the people were of no use towards the defence of the society, yet, to prevent that sort of mental mutilation, deformity, and wretchedness, which cowardice necessarily involves in it, from spreading themselves through the great body of the people, would still deserve the most serious attention of government; in the same manner as it would deserve its most serious attention to prevent a leprosy or any other loathsome and offensive disease, though neither mortal nor dangerous, from spreading itself among them; though, perhaps, no other public good might result from such attention besides the prevention of so great a public evil.

The same thing may be said of the gross ignorance and stupidity which, in a civilised society, seem so frequently to benumb the understandings of all the inferior ranks of people. A man without the proper use of the intellectual faculties of a man, is, if possible, more contemptible than even a coward, and seems to be mutilated and deformed in a still more essential part of the character of human nature. Though the state was to derive no advantage from the instruction of the inferior ranks of people, it would still deserve its attention that they should not be altogether uninstructed. The state, however, derives no inconsiderable advantage from their instruction. The more they are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations, frequently occasion the most dreadful disorders. An instructed and intelligent people, besides, are always more decent and orderly than an ignorant and stupid one. They feel themselves, each individually, more respectable, and more likely to obtain the respect of their lawful superiors, and they are therefore more disposed to respect those superiors. They are more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition; and they are, upon that account, less apt to be misled into any wanton or unnecessary opposition to the measures of government. In free countries, where the safety of government depends very much upon the favourable judgment which the people may form of its conduct, it must surely be of the highest importance that they should not be disposed to judge rashly or capriciously concerning it.

ARTICLE III.

Of the Expense of the Institutions for the Instruction of People of all Ages.

The institutions for the instruction of people of all ages are chiefly those for religious instruction. This is a species of instruction of which the object is not so much to render the people good citizens in this world, as to prepare them for another and a better world in a life to come. The teachers of the doctrine which contains this instruction, in the same manner as other teachers, may either depend altogether for their subsistence upon the voluntary contributions of their hearers; or they may derive it from some other fund to which the law of their country may entitle them: such as a landed estate, a tithe or land tax, an established salary or stipend. Their exertion, their zeal and industry, are likely to be much greater in the former situation than in the latter. In this respect the teachers of new religions have always had a considerable advantage in attacking those ancient and established systems of which the clergy reposing themselves upon their benefices, had neglected to keep up the fervour of faith and devotion in

the great body of the people; and having given themselves up to indolence, were become altogether incapable of making any vigorous exertion in defence even of their own establishment. The clergy of an established and well-endowed religion frequently become men of learning and elegance, who possess all the virtues of gentlemen, or which can recommend them to the esteem of gentlemen; but they are apt gradually to lose the qualities, both good and bad, which gave them authority and influence with the inferior ranks of people, and which had perhaps been the original causes of the success and establishment of their religion. Such a clergy, when attacked by a set of popular and bold, though perhaps stupid and ignorant enthusiasts, feel themselves as perfectly defenceless as the indolent, effeminate, and full-fed nations of the southern parts of Asia, when they were invaded by the active, hardy and hungry Tartars of the north. Such a clergy, upon such an emergency, have commonly no other resource than to call upon the civil magistrate to persecute, destroy, or drive out their adversaries, as disturbers of the public peace. It was thus that the Roman catholic clergy called upon the civil magistrate to persecute the protestants, and the church of England to persecute the dissenters; and that in general every religious sect, when it has once enjoyed for a century or two the security of a legal establishment, has found itself incapable of making any vigorous defence against any new sect which chose to attack its doctrine or discipline. Upon such occasions, the advantage in point of learning and good writing may sometimes be on the side of the established church. But the arts of popularity, all the arts of gaining proselytes, are constantly on the side of its adversaries. In England, those arts have been long neglected by the well-endowed clergy of the established church, and are at present chiefly cultivated by the dissenters and by the methodists. The independent provisions, however, which in many places have been made for dissenting teachers, by means of voluntary subscriptions, of trust rights, and other evasions of the law, seem very much to have abated the zeal and activity of those teachers. They have, many of them, become very learned, ingenious, and respectable men; but they have in general ceased to be very popular preachers. The methodists, without half the learning of the dissenters, are much more in vogue.

In the church of Rome the industry and zeal of the inferior clergy are kept more alive by the powerful motive of self-interest, than perhaps in any established protestant church. The parochial clergy derive, many of them, a very considerable part of their subsistence from the voluntary oblations of the people; a source of revenue which confession gives them many opportunities of improving. The mendicant orders derive their whole subsistence from such oblations. It is with them as with the hussars and light infantry of some armies: no plunder, no pay. The parochial clergy are like those teachers whose reward depends partly upon their salary, and partly upon the fees or honoraries which they get from their pupils; and these must always depend more or less upon their industry and reputation. The mendicant orders are like those teachers whose subsistence depends altogether upon their industry. They are obliged, therefore, to use every art which can animate the devotion of the common people. The establishment of the two great mendicant orders of St. Dominic and St. Francis, it is observed by Machiavel, revived, in the thirteenth and fourteenth centuries, the languishing faith and devotion of the catholic church. In Roman catholic countries the spirit of devotion is supported altogether by the monks and by the poorer parochial clergy. The great dignitaries of the church, with all the accomplishments of gentlemen and men of the world, and sometimes with those of men of learning, are careful enough to maintain the necessary discipline over their inferiors, but seldom give themselves any trouble about the instruction of the people.

"Most of the arts and professions in a state," says by far the most illustrious philosopher and historian of the present age, "are of such a nature, that, while they promote the interests of the society, they are also useful or agreeable to some individuals; and in that case, the constant rule of the magistrate, except, perhaps, on the first introduction of any art, is, to leave the profession to itself, and trust its encouragement to the individuals who reap the benefit of it. The artisans, finding their profits to rise by the favour of their customers, increase, as much as possible, their skill and industry; and as matters are not disturbed by any injudicious tampering, the commodity is always sure to be at all times nearly proportioned to the demand.

"But there are also some callings which, though useful and even necessary in a state, bring no advantage or pleasure to any individual; and the supreme power is obliged to alter its conduct with regard to the retainers of those professions. It must give them public encouragement in order to their subsistence; and it must provide against that negligence to which they will naturally be subject, either by annexing particular honours to the profession, by establishing a long subordination of ranks and a strict dependence, or by some other expedient. The

persons employed in the finances, fleets, and magistracy, are instances of this order of men.

"It may naturally be thought, at first sight, that the ecclesiastics belong to the first class, and that their encouragement, as well as that of lawyers and physicians, may safely be entrusted to the liberality of individuals, who are attached to their doctrines, and who find benefit or consolation from their spiritual ministry and assistance. Their industry and vigilance will, no doubt, be whetted by such an additional motive; and their skill in the profession, as well as their address in governing the minds of the people, must receive daily increase, from their increasing practice, study, and attention.

"But if we consider the matter more closely, we shall find that this interested diligence of the clergy is what every wise legislator will study to prevent; because, in every religion except the true, it is highly pernicious, and it has even a natural tendency to pervert the true, by infusing into it a strong mixture of superstition, folly, and delusion. Each ghostly practitioner, in order to render himself more precious and sacred in the eyes of his retainers, will inspire them with the most violent abhorrence of all other sects, and continually endeavour, by some novelty, to excite the languid devotion of his audience. No regard will be paid to truth, morals, or decency in the doctrines inculcated. Every tenet will be adopted that best suits the disorderly affections of the human frame. Customers will be drawn to each conventicle by new industry and address in practising on the passions and credulity of the populace; and, in the end, the civil magistrate will find that he has dearly paid for his intended frugality in saving a fixed establishment for the priests; and that, in reality, the most decent and advantageous composition which he can make with the spiritual guides, is to bribe their indolence, by assigning stated salaries to their profession, and rendering it superfluous for them to be farther active, than merely to prevent their flock from straying in quest of new pastures. And in this manner ecclesiastical establishments, though commonly they arose at first from religious views, prove in the end advantageous to the political interests of society."

But whatever may have been the good or bad effects of the independent provision of the clergy, it has perhaps been very seldom bestowed upon them from any view to those effects. Times of violent religious controversy have generally been times of equally violent political faction. Upon such occasions, each political party has either found it, or imagined it, for his interest, to league itself with some one or other of the contending religious sects. But this could be done only by adopting, or at least by favouring, the tenets of that particular sect. The sect which had the good fortune to be leagued with the conquering party, necessarily shared in the victory of its ally, by whose favour and protection it was soon enabled in some degree to silence and subdue all its adversaries. Those adversaries had generally leagued themselves with the enemies of the conquering party, and were therefore the enemies of that party. The clergy of this particular sect having thus become complete masters of the field, and their influence and authority with the great body of the people being in its highest vigour, they were powerful enough to overawe the chiefs and leaders of their own party, and to oblige the civil magistrate to respect their opinions and inclinations. Their first demand was generally, that he should silence and subdue all their adversaries; and their second, that he should bestow an independent provision on themselves. As they had generally contributed a good deal to the victory, it seemed not unreasonable that they should have some share in the spoil. They were weary, besides, of humouring the people, and of depending upon their caprice for a subsistence. In making this demand, therefore, they consulted their own ease and comfort, without troubling themselves about the effect which it might have, in future times, upon the influence and authority of their order. The civil magistrate, who could comply with this demand only by giving them something which he would have chosen much rather to take, or to keep to himself, was seldom very forward to grant it. Necessity, however, always forced him to submit at last, though frequently not till after many delays, evasions, and affected excuses.

But if politics had never called in the aid of religion, had the conquering party never adopted the tenets of one sect more than those of another, when it had gained the victory, it would probably have dealt equally and impartially with all the different sects, and have allowed every man to choose his own priest and his own religion as he thought proper. There would in this case, no doubt, have been a great multitude of religious sects. Almost every different congregation might probably have made a little sect by itself, or have entertained some peculiar tenets of its own. Each teacher would, no doubt, have felt himself under the necessity of making the utmost exertion, and of using every art, both to preserve and to increase the number of his disciples. But as every other teacher would have felt himself under the same necessity, the success of no one teacher, or sect of teachers, could have been very great. The interested and active zeal of religious teachers can be dangerous and troublesome only where there is either but one sect tolerated in the society, or where the

whole of a large society is divided into two or three great sects; the teachers of each acting by concert, and under a regular discipline and subordination. But that zeal must be altogether innocent where the society is divided into two or three hundred, or, perhaps, into as many thousand small sects, of which no one could be considerable enough to disturb the public tranquillity. The teachers of each sect, seeing themselves surrounded on all sides with more adversaries than friends, would be obliged to learn that candour and moderation, which is so seldom to be found among the teachers of those great sects, whose tenets, being supported by the civil magistrate, are held in veneration by almost all the inhabitants of extensive kingdoms and empires, and who therefore see nothing round them but followers, disciples, and humble admirers. The teachers of each little sect, finding themselves almost alone, would be obliged to respect those of almost every other sect; and the concessions which they would mutually find it both convenient and agreeable to make one to another, might in time probably reduce the doctrine of the greater part of them to that pure and rational religion, free from every mixture of absurdity, imposture, or fanaticism, such as wise men have, in all ages of the world, wished to see established; but such as positive law has, perhaps, never yet established, and probably never will establish in any country; because, with regard to religion, positive law always has been, and probably always will be, more or less influenced by popular superstition and enthusiasm. This plan of ecclesiastical government, or more properly of no ecclesiastical government, was what the sect called Independents, a sect, no doubt, of very wild enthusiasts, proposed to establish in England towards the end of the civil war. If it had been established, though of a very unphilosophical origin, it would probably, by this time, have been productive of the most philosophical good temper and moderation with regard to every sort of religious principle. It has been established in Pennsylvania, where, though the quakers happen to be the most numerous, the law in reality favours no one sect more than another; and it is there said to have been productive of this philosophical good temper and moderation

But though this equality of treatment should not be productive of this good temper and moderation in all, or even in the greater part of the religious sects of a particular country; yet, provided those sects were sufficiently numerous, and each of them consequently too small to disturb the public tranquillity, the excessive zeal of each for its particular tenets could not well be productive of any very hurtful effects, but, on the contrary, of several good ones: and if the government was perfectly decided, both to let them all alone, and to oblige them all to let alone one another, there is little danger that they would not, of their own accord, subdivide themselves fast enough, so as soon to become sufficiently numerous.

In every civilised society, in every society where the distinction of ranks has once been completely established, there have been always two different schemes or systems of morality current at the same time, of which the one may be called the strict or austere, the other the liberal, or, if you will, the loose system. The former is generally admired and revered by the common people, the latter is commonly more esteemed and adopted by what are called people of fashion. The degree of disapprobation with which we ought to mark the vices of levity, the vices which are apt to arise from great prosperity, and from the excess of gaiety and good humour, seems to constitute the principal distinction between those two opposite schemes or systems. In the liberal or loose system, luxury, wanton and even disorderly mirth, the pursuit of pleasure to some degree of intemperance, the breach of chastity, at least in one of the two sexes, &c., provided they are not accompanied with gross indecency, and do not lead to falsehood or injustice, are generally treated with a good deal of indulgence, and are easily either excused or pardoned altogether. In the austere system, on the contrary, those excesses are regarded with the utmost abhorrence and detestation. The vices of levity are always ruinous to the common people, and a single week's thoughtlessness and dissipation is often sufficient to undo a poor workman for ever, and to drive him, through despair, upon committing the most enormous crimes. The wiser and better sort of the common people, therefore, have always the utmost abhorrence and detestation of such excesses, which their experience tells them are so immediately fatal to people of their condition. The disorder and extravagance of several years, on the contrary, will not always ruin a man of fashion; and people of that rank are very apt to consider the power of indulging in some degree of excess as one of the advantages of their fortune, and the liberty of doing so without censure or reproach as one of the privileges which belong to their station. In people of their own station, therefore, they regard such excesses with but a small degree of disapprobation, and censure them either very slightly or not at all.

Almost all religious sects have begun among the common people, from whom they have generally drawn their earliest as well as their most numerous proselytes. The austere system of morality has accordingly been adopted by those sects almost constantly or with very few exceptions, for there have

been some. It was the system by which they could best recommend themselves to that order of people to whom they first proposed their plan of reformation upon what had been before established. Many of them, perhaps the greater part of them, have even endeavoured to gain credit by refining upon this austere system, and by carrying it to some degree of folly and extravagance; and this excessive rigour has frequently recommended them more than any thing else to the respect and veneration of the common people.

A man of rank and fortune is, by his station, the distinguished member of a great society, who attend to every part of his conduct, and who thereby oblige him to attend to every part of it himself. His authority and consideration depend very much upon the respect which this society bears to him. He dare not do any thing which would disgrace or discredit him in it; and he is obliged to a very strict observation of that species of morals, whether liberal or austere, which the general consent of this society prescribes to persons of his rank and fortune. A man of low condition, on the contrary, is far from being a distinguished member of any great society. While he remains in a country village, his conduct may be attended to, and he may be obliged to attend to it himself. In this situation, and in this situation only, he may have what is called a character to lose. But as soon as he comes into a great city, he is sunk in obscurity and darkness. His conduct is observed and attended to by nobody; and he is therefore very likely to neglect it himself, and to abandon himself to every sort of low profligacy and vice. He never emerges so effectually from this obscurity, his conduct never excites so much the attention of any respectable society, as by his becoming the member of a small religious sect. He from that moment acquires a degree of consideration which he never had before. All his brother sectaries are, for the credit of the sect, interested to observe his conduct; and, if he gives occasion to any scandal, if he deviates very much from those austere morals which they almost always require of one another, to punish him by what is always a very severe punishment, even where no evil effects attend it, expulsion or excommunication from the sect. In little religious sects, accordingly, the morals of the common people have been almost always remarkably regular and orderly; generally much more so than in the established church. The morals of those little sects indeed have frequently been rather disagreeably rigorous and unsocial.

There are two very easy and effectual remedies, however, by whose joint operation the state might, without violence, correct whatever was unsocial or disagreeably rigorous in the morals of all the little sects into which the country was divided.

The first of those remedies is the study of science and philosophy, which the state might render almost universal among all people of middling or more than middling rank and fortune; not by giving salaries to teachers in order to make them negligent and idle, but by instituting some sort of probation, even in the higher and more difficult sciences, to be undergone by every person before he was permitted to exercise any liberal profession, or before he could be received as a candidate for any honourable office of trust or profit. If the state imposed upon this order of men the necessity of learning, it would have no occasion to give itself any trouble about providing them with proper teachers. They would soon find better teachers for themselves than any whom the state could provide for them. Science is the great antidote to the poison of enthusiasm and superstition; and where all the superior ranks of people were secured from it, the inferior ranks could not be much exposed to it.

The second of those remedies is the frequency and gaiety of public diversions. The state, by encouraging, that is, by giving entire liberty to all those who, for their own interest, would attempt, without scandal or indecency, to amuse and divert the people by painting, poetry, music, dancing, — by all sorts of dramatic representations and exhibitions, — would easily dissipate, in the greater part of them, that melancholy and gloomy humour which is almost always the nurse of popular superstition and enthusiasm. Public diversions have always been the objects of dread and hatred to all the fanatical promoters of those popular frenzies. The gaiety and good humour which those diversions inspire, were altogether inconsistent with that temper of mind which was fittest for their purpose or which they could best work upon. Dramatic representations, besides, frequently exposing their artifices to public ridicule, and sometimes even to public execration, were upon that account, more than all other diversions, the objects of their peculiar abhorrence.

In a country where the law favoured the teachers of no one religion more than those of another, it would not be necessary that any of them should have any particular or immediate dependency upon the sovereign or executive power; or that he should have any thing to do either in appointing or in dismissing them from their offices. In such a situation, he would have no occasion to give himself any concern about them, further than to keep the peace among them, in the same manner as among the rest of his sub-

jects; that is, to hinder them from persecuting, abusing, or oppressing one another. But it is quite otherwise in countries where there is an established or governing religion. The sovereign can in this case never be secure, unless he has the means of influencing in a considerable degree the greater part of the teachers of that religion.

The clergy of every established church constitute a great incorporation. They can act in concert, and pursue their interest upon one plan and with one spirit, as much as if they were under the direction of one man; and they are frequently too under such direction. Their interest as an incorporated body is never the same with that of the sovereign, and is sometimes directly opposite to it. Their great interest is to maintain their authority with the people; and this authority depends upon the supposed certainty and importance of the whole doctrine which they inculcate, and upon the supposed necessity of adopting every part of it with the most implicit faith, in order to avoid eternal misery. Should the sovereign have the imprudence to appear either to deride or doubt himself of the most trifling part of their doctrine, or from humanity attempt to protect those who did either the one or the other, the punctilious honour of a clergy who have no sort of dependency upon him, is immediately provoked to proscribe him as a profane person, and to employ all the terrors of religion in order to oblige the people to transfer their allegiance to some more orthodox and obedient prince. Should he oppose any of their pretensions or usurpations, the danger is equally great. The princes who have dared in this manner to rebel against the church, over and above this crime of rebellion have generally been charged too with the additional crime of heresy, notwithstanding their solemn protestations of their faith and humble submission to every tenet which she thought proper to prescribe to them. But the authority of religion is superior to every other authority. The fears which it suggests conquer all other fears. When the authorised teachers of religion propagate through the great body of the people doctrines subversive of the authority of the sovereign, it is by violence only, or by the force of a standing army that he can maintain his authority. Even a standing army cannot in this case give him any lasting security; because if the soldiers are not foreigners, which can seldom be the case, but drawn from the great body of the people, which must almost always be the case, they are likely to be soon corrupted by those very doctrines. The revolutions which the turbulence of the Greek clergy was continually occasioning at Constantinople, as long as the eastern empire subsisted; the convulsions which, during the course of several centuries, the turbulence of the Roman clergy was continually occasioning in every part of Europe, sufficiently demonstrate how precarious and insecure must always be the situation of the sovereign who has no proper means of influencing the clergy of the established and governing religion of his country.

Articles of faith, as well as all other spiritual matters, it is evident enough, are not within the proper department of a temporal sovereign, who, though he may be very well qualified for protecting, is seldom supposed to be so for instructing the people. With regard to such matters, therefore, his authority can seldom be sufficient to counterbalance the united authority of the clergy of the established church. The public tranquillity however, and his own security, may frequently depend upon the doctrines which they may think proper to propagate concerning such matters. As he can seldom directly oppose their decision, therefore, with proper weight and authority, it is necessary that he should be able to influence it; and he can influence it only by the fears and expectations which he may excite in the greater part of the individuals of the order. Those fears and expectations may consist in the fear of deprivation or other punishment, and in the expectation of further preferment.

In all Christian churches the benefices of the clergy are a sort of freeholds which they enjoy, not during pleasure, but during life or good behaviour. If they held them by a more precarious tenure, and were liable to be turned out upon every slight disobligation either of the sovereign or of his ministers, it would perhaps be impossible for them to maintain their authority with the people, who would then consider them as mercenary dependents upon the court, in the sincerity of whose instructions they could no longer have any confidence. But should the sovereign attempt irregularly, and by violence, to deprive any number of clergymen of their freeholds, on account, perhaps, of their having propagated, with more than ordinary zeal, some factious or seditious doctrine, he would only render by such persecution, both them and their doctrine ten times more popular, and, therefore, ten times more troublesome and dangerous than they had been before. Fear is in almost all cases a wretched instrument of government, and ought in particular never to be employed against any order of men who have the smallest pretensions to independency. To attempt to terrify them, serves only to irritate their bad humour, and to confirm them in an opposition which more gentle usage, perhaps, might easily induce them either to soften or to lay aside altogether. The violence which the French government usually employed in order to oblige all their parliaments, or sove-

reign courts of justice, to enregister any unpopular edict, very seldom succeeded. The means commonly employed, however, the imprisonment of all the refractory members, one would think were forcible enough. The princes of the house of Stewart sometimes employed the like means in order to influence some of the members of the parliament of England: and they generally found them equally intractable. The parliament of England is now managed in another manner; and a very small experiment, which the duke of Choiseul made about twelve years ago upon the parliament of Paris, demonstrated sufficiently that all the parliaments of France might have been managed still more easily in the same manner. That experiment was not pursued. For though management and persuasion are always the easiest and safest instruments of government, as force and violence are the worst and the most dangerous, yet such, it seems, is the natural insolence of man, that he almost always disdains to use the good instrument, except, when he cannot or dare not use the bad one. The French government could and durst use force, and therefore disdained to use management and persuasion. But there is no order of men, it appears, I believe, from the experience of all ages, upon whom it is so dangerous, or rather so perfectly ruinous, to employ force and violence, as upon the respected clergy of an established church. The rights, the privileges, the personal liberty of every individual ecclesiastic, who is upon good terms with his own order, are, even in the most despotic governments, more respected than those of any other person of nearly equal rank and fortune. It is so in every gradation of despotism, from that of the gentle and mild government of Paris to that of the violent and furious government of Constantinople. But though this order of men can scarce ever be forced, they may be managed as easily as any other; and the security of the sovereign, as well as the public tranquillity, seems to depend very much upon the means which he has of managing them; and those means seem to consist altogether in the preferment which he has to bestow upon them.

In the ancient constitution of the Christian church, the bishop of each diocese was elected by the joint votes of the clergy and of the people of the episcopal city. The people did not long retain their right of election; and while they did retain it, they almost always acted under the influence of the clergy, who, in such spiritual matters, appeared to be their natural guides. The clergy, however, soon grew weary of the trouble of managing them, and found it easier to elect their own bishops themselves. The abbot, in the same manner, was elected by the monks of the monastery, at least in the greater part of abbacies. All the inferior ecclesiastical benefices comprehended within the diocese were collated by the bishop, who bestowed them upon such ecclesiastics as he thought proper. All church preferments were in this manner in the disposal of the church. The sovereign, though he might have some indirect influence in those elections, and though it was sometimes usual to ask both his consent to elect, and his approbation of the election, yet had no direct or sufficient means of managing the clergy. The ambition of every clergyman naturally led him to pay court, not so much to his sovereign, as to his own order, from which only he could expect preferment.

Through the greater part of Europe the pope gradually drew to himself first the collation of almost all bishoprics and abbacies, or of what were called consistorial benefices, and afterwards, by various machinations and pretences, of the greater part of inferior benefices comprehended within each diocese; little more being left to the bishop than what was barely necessary to give him a decent authority with his own clergy. By this arrangement the condition of the sovereign was still worse than it had been before. The clergy of all the different countries of Europe were thus formed into a sort of spiritual army, dispersed in different quarters indeed, but of which all the movements and operations could now be directed by one head, and conducted upon one uniform plan. The clergy of each particular country might be considered as a particular detachment of that army, of which the operations could easily be supported and seconded by all the other detachments quartered in the different countries round about. Each detachment was not only independent of the sovereign of the country in which it was quartered, and by which it was maintained, but dependent upon a foreign sovereign, who could at any time turn its arms against the sovereign of that particular country, and support them by the arms of all the other detachments.

Those arms were the most formidable that can well be imagined. In the ancient state of Europe, before the establishment of arts and manufactures, the wealth of the clergy gave them the same sort of influence over the common people which that of the great barons gave them over their respective vassals, tenants, and retainers. In the great landed estates, which the mistaken piety both of princes and private persons had bestowed upon the church, jurisdictions were established, of the same kind with those of the great barons; and for the same reason. In those great landed estates, the clergy, or their bailiffs, could easily keep the peace without the support or assistance either of the king or of any other person; and neither

the king nor any other person could keep the peace there without the support and assistance of the clergy. The jurisdictions of the clergy, therefore, in their particular baronies or manors, were equally independent, and equally exclusive of the authority of the king's courts, as those of the great temporal lords. The tenants of the clergy were, like those of the great barons, almost all tenants at will, entirely dependent upon their immediate lords, and therefore liable to be called out at pleasure, in order to fight in any quarrel in which the clergy might think proper to engage them. Over and above the rents of those estates, the clergy possessed, in the tithes, a very large portion of the rents of all the other estates in every kingdom of Europe. The revenues arising from both those species of rents were, the greater part of them, paid in kind, in corn, wine, cattle, poultry, &c. The quantity exceeded greatly what the clergy could themselves consume; and there were neither arts nor manufactures for the produce of which they could exchange the surplus. The clergy could derive advantage from this immense surplus in no other way than by employing it, as the great barons employed the like surplus of their revenues, in the most profuse hospitality, and in the most extensive charity. Both the hospitality and the charity of the ancient clergy, accordingly, are said to have been very great. They not only maintained almost the whole poor of every kingdom, but many knights and gentlemen had frequently no other means of subsistence than by travelling about from monastery to monastery, under pretence of devotion, but in reality to enjoy the hospitality of the clergy. The retainers of some particular prelates were often as numerous as those of the greatest lay-lords; and the retainers of all the clergy taken together were perhaps more numerous than those of all the lay-lords. There was always much more union among the clergy than among the lay-lords. The former were under a regular discipline and subordination to the papal authority. The latter were under no regular discipline or subordination, but almost always equally jealous of one another, and of the king. Though the tenants and retainers of the clergy, therefore, had both together been less numerous than those of the great lay-lords, and their tenants were probably much less numerous, yet their union would have rendered them more formidable. The hospitality and charity of the clergy, too, not only gave them the command of a great temporal force, but increased very much the weight of their spiritual weapons. Those virtues procured them the highest respect and veneration among all the inferior ranks of people, of whom many were constantly, and almost all occasionally, fed by them. Every thing belonging or related to so popular an order, its possessions, its privileges, its doctrines, necessarily appeared sacred in the eyes of the common people, and every violation of them, whether real or pretended, the highest act of sacrilegious wickedness and profaneness. In this state of things, if the sovereign frequently found it difficult to resist the confederacy of a few of the great nobility, we cannot wonder that he should find it still more so to resist the united force of the clergy of his own dominions, supported by that of the clergy of all the neighbouring dominions. In such circumstances the wonder is, not that he was sometimes obliged to yield, but that he ever was able to resist.

The privileges of the clergy in those ancient times, (which to us who live in the present times appear the most absurd,) their total exemption from the secular jurisdiction, for example, or what in England was called the benefit of clergy, were the natural or rather the necessary consequences of this state of things. How dangerous must it have been for the sovereign to attempt to punish a clergyman for any crime whatever, if his own order were disposed to protect him, and to represent either the proof as insufficient for convicting so holy a man, or the punishment as too severe to be inflicted upon one whose person had been rendered sacred by religion! The sovereign could, in such circumstances, do no better than leave him to be tried by the ecclesiastical courts, who, for the honour of their own order, were interested to restrain, as much as possible, every member of it from committing enormous crimes, or even from giving occasion to such gross scandal as might disgust the minds of the people.

In the state in which things were through the greater part of Europe during the tenth, eleventh, twelfth, and thirteenth centuries, and for some time both before and after that period, the constitution of the church of Rome may be considered as the most formidable combination that ever was formed against the authority and security of civil government, as well as against the liberty, reason and happiness of mankind, which can flourish only where civil government is able to protect them. In that constitution the grossest delusions of superstition were supported in such a manner by the private interests of so great a number of people as put them out of all danger from any assault of human reason; because though human reason might perhaps have been able to unveil, even to the eyes of the common people, some of the delusions of superstition, it could never have dissolved the ties of private interest. Had this constitution been attacked by no other enemies but the feeble efforts of human reason, it must have endured for ever. But

that immense and well-built fabric, which all the wisdom and virtue of man could never have shaken, much less have overturned, was by the natural course of things, first weakened, and afterwards in part destroyed, and is now likely, in the course of a few centuries more, perhaps, to crumble into ruins altogether.

The gradual improvements of arts, manufactures, and commerce, the same causes which destroyed the power of the great barons, destroyed in the same manner, through the greater part of Europe, the whole temporal power of the clergy. In the produce of arts, manufactures, and commerce, the clergy, like the great barons, found something for which they could exchange their rude produce, and thereby discovered the means of spending their whole revenues upon their own persons, without giving any considerable share of them to other people. Their charity became gradually less extensive, their hospitality less liberal or less profuse. Their retainers became consequently less numerous, and by degrees dwindled away altogether. The clergy too, like the great barons, wished to get a better rent from their landed estates, in order to spend it, in the same manner, upon the gratification of their own private vanity and folly. But this increase of rent could be got only by granting leases to their tenants, who thereby became in a great measure independent of them. The ties of interest, which bound the inferior ranks of the people to the clergy, were in this manner gradually broken and dissolved. They were even broken and dissolved sooner than those which bound the same ranks of people to the great barons; because the benefices of the church being, the greater part of them, much smaller than the estates of the great barons, the possessor of each benefice was much sooner able to spend the whole of its revenue upon his own person. During the greater part of the fourteenth and fifteenth centuries the power of the great barons was, through the greater part of Europe, in full vigour. But the temporal power of the clergy, the absolute command which they had once had over the great body of the people, was very much decayed. The power of the church was by that time very nearly reduced, through the greater part of Europe, to what arose from her spiritual authority; and even that spiritual authority was much weakened when it ceased to be supported by the charity and hospitality of the clergy. The inferior ranks of the people no longer looked upon that order, as they had done before, as the comforters of their distress, and the relievers of their indigence. On the contrary, they were provoked and disgusted by the vanity, luxury, and expense of the richer clergy, who appeared to spend upon their own pleasures what had always before been regarded as the patrimony of the poor.

In this situation of things, the sovereigns in the different states of Europe endeavoured to recover the influence which they had once had in the disposal of the great benefices of the church, by procuring to the deans and chapters of each diocese the restoration of their ancient right of electing the bishop, and to the monks of each abbacy that of electing the abbot. The re-establishing of this ancient order was the object of several statutes enacted in England during the course of the fourteenth century, particularly of what is called the statute of provisors; and of the pragmatic sanction established in France in the fifteenth century. In order to render the election valid, it was necessary that the sovereign should both consent to it beforehand, and afterwards approve of the person elected; and though the election was still supposed to be free, he had, however, all the indirect means which his situation necessarily afforded him, of influencing the clergy in his own dominions. Other regulations of a similar tendency were established in other parts of Europe. But the power of the pope, in the collation of the great benefices of the church, seems, before the reformation, to have been no where so effectually and so universally restrained as in France and England. The concordat afterwards, in the sixteenth century, gave to the kings of France the absolute right of presenting to all the great, or what are called the consistorial benefices of the Gallican church.

Since the establishment of the pragmatic sanction and of the concordat, the clergy of France have in general shown less respect to the decrees of the papal court than the clergy of any other catholic country. In all the disputes which their sovereign has had with the pope, they have almost constantly taken part with the former. This independency of the clergy of France upon the court of Rome seems to be principally founded upon the pragmatic sanction and the concordat. In the earlier periods of the monarchy, the clergy of France appear to have been as much devoted to the pope as those of any other country. When Robert, the second prince of the Capetian race, was most unjustly excommunicated by the court of Rome, his own servants, it is said, threw the victuals which came from his table to the dogs, and refused to taste any thing themselves which had been polluted by the contact of a person in his situation. They were taught to do so, it may very safely be presumed, by the clergy of his own dominions.

The claim of collating to the great benefices of the church, a claim in defence of which the court of Rome had frequently shaken, and sometimes overturned the

thrones of some of the greatest sovereigns in Christendom, was in this manner either restrained or modified, or given up altogether, in many different parts of Europe, even before the time of the reformation. As the clergy had now less influence over the people, so the state had more influence over the clergy. The clergy, therefore, had both less power and less inclination to disturb the state.

The authority of the church of Rome was in this state of declension, when the disputes which gave birth to the reformation began in Germany, and soon spread themselves through every part of Europe. The new doctrines were everywhere received with a high degree of popular favour. They were propagated with all that enthusiastic zeal which commonly animates the spirit of party, when it attacks established authority. The teachers of those doctrines, though perhaps in other respects not more learned than many of the divines who defended the established church, seem in general to have been better acquainted with ecclesiastical history, and with the origin and progress of that system of opinions upon which the authority of the church was established; and they had thereby the advantage in almost every dispute. The austerity of their manners gave them authority with the common people, who contrasted the strict regularity of their conduct with the disorderly lives of the greater part of their own clergy. They possessed, too, in a much higher degree than their adversaries, all the arts of popularity and of gaining proselytes; arts which the lofty and dignified sons of the church had long neglected, as being to them in a great measure useless. The reason of the new doctrines recommended them to some, their novelty to many; the hatred and contempt of the established clergy to a still greater number; but the zealous, passionate, and fanatical, though frequently coarse and rustic eloquence with which they were almost everywhere inculcated, recommended them to by far the greatest number.

The success of the new doctrines was almost everywhere so great, that the princes who at that time happened to be on bad terms with the court of Rome, were by means of them easily enabled, in their own dominions, to overturn the church, which, having lost the respect and veneration of the inferior ranks of people, could make scarce any resistance. The court of Rome had disobliged some of the smaller princes in the northern parts of Germany, whom it had probably considered as too insignificant to be worth the managing. They universally therefore, established the reformation in their own dominions. The tyranny of Christiern II. and of Troll, archbishop of Upsal, enabled Gustavus Vasa to expel them both from Sweden. The pope favoured the tyrant and the archbishop, and Gustavus Vasa found no difficulty in establishing the reformation in Sweden. Christiern II. was afterwards deposed from the throne of Denmark, where his conduct had rendered him as odious as in Sweden. The pope, however, was still disposed to favour him; and Frederick of Holstein, who had mounted the throne in his stead, revenged himself by following the example of Gustavus Vasa. The magistrates of Berne and Zurich, who had no particular quarrel with the pope, established with great ease the reformation in their respective cantons, where just before some of the clergy had, by an imposture somewhat grosser than ordinary, rendered the whole order both odious and contemptible.

In this critical situation of its affairs, the papal court was at sufficient pains to cultivate the friendship of the powerful sovereigns of France and Spain, of whom the latter was at that time emperor of Germany. With their assistance, it was enabled, though not without great difficulty and much bloodshed, either to suppress altogether or to obstruct very much the progress of the reformation in their dominions. It was well enough inclined, too, to be complaisant to the king of England; but, from the circumstances of the times, it could not be so without giving offence to a still greater sovereign, Charles V. king of Spain and emperor of Germany. Henry VIII. accordingly, though he did not embrace himself the greater part of the doctrines of the reformation, was yet enabled, by their general prevalence, to suppress all the monasteries, and to abolish the authority of the church of Rome in his dominions. That he should go so far, though he went no further, gave some satisfaction to the patrons of the reformation, who, having got possession of the government in the reign of his son and successor, completed, without any difficulty, the work which Henry VIII. had begun.

In some countries, as in Scotland, where the government was weak, unpopular, and not very firmly established, the reformation was strong enough to overturn, not only the church, but the state likewise for attempting to support the church.

Among the followers of the reformation, dispersed in all the different countries of Europe, there was no general tribunal, which, like that of the court of Rome, or an œcumenical council, could settle all disputes among them, and with irresistible authority prescribe to all of them the precise limits of orthodoxy. When the followers of the reformation in one country, therefore, happened to differ from their brethren in another as they had no common judge to appeal to, the dispute could never be decided; and

many such disputes arose among them. Those concerning the government of the church, and the right of conferring ecclesiastical benefices, were perhaps the most interesting to the peace and welfare of civil society. They gave birth, accordingly, to the two principal parties or sects among the followers of the reformation, the Lutheran and Calvinistic sects, the only sects among them of which the doctrine and discipline have ever yet been established by law in any part of Europe.

The followers of Luther, together with what is called the church of England, preserved more or less of the episcopal government, established subordination among the clergy, gave the sovereign the disposal of all the bishopricks, and other consistorial benefices within his dominions, and thereby rendered him the real head of the church; and without depriving the bishop of the right of collating to the smaller benefices within his diocese, they, even to those benefices, not only admitted but favoured the right of presentation both in the sovereign and in all other lay-patrons. This system of church government was, from the beginning, favourable to peace and good order, and to submission to the civil sovereign. It has never, accordingly, been the occasion of any tumult or civil commotion in any country in which it has once been established. The church of England, in particular, has always valued herself, with great reason, upon the unexceptionable loyalty of her principles. Under such a government the clergy naturally endeavour to recommend themselves to the sovereign, to the court, and to the nobility and gentry of the country, by whose influence they chiefly expect to obtain preferment. They pay court to those patrons, sometimes, no doubt, by the vilest flattery and assentation, but frequently too by cultivating all those arts which best deserve, and which are therefore most likely to gain them the esteem of people of rank and fortune; by their knowledge in all the different branches of useful and ornamental learning, by the decent liberality of their manners, by the social good humour of their conversation, and by their avowed contempt of those absurd and hypocritical austerities which fanatics inculcate and pretend to practise, in order to draw upon themselves the veneration and upon the greater part of men of rank and fortune, who avow that they do not practise them, the abhorrence of the common people. Such a clergy, however, while they pay their court in this manner to the higher ranks of life, are very apt to neglect altogether the means of maintaining their influence and authority with the lower. They are listened to, esteemed and respected by their superiors; but before their inferiors they are frequently incapable of defending, effectually and to the conviction of such hearers, their own sober and moderate doctrines against the most ignorant enthusiast who chooses to attack them.

The followers of Zuinglius, or more properly those of Calvin, on the contrary, bestowed upon the people of each parish, whenever the church became vacant, the right of electing their own pastor; and established at the same time the most perfect equality among the clergy. The former part of this institution, as long as it remained in vigour, seems to have been productive of nothing but disorder and confusion, and to have tended equally to corrupt the morals both of the clergy and of the people. The latter part seems never to have had any effects but what were perfectly agreeable.

'As long as the people of each parish preserved the right of electing their own pastors, they acted almost always under the influence of the clergy, and generally of the most factious and fanatical of the order. The clergy, in order to preserve their influence in those popular elections, became, or affected to become, many of them, fanatics themselves, encouraged fanaticism among the people, and gave the preference almost always to the most fanatical candidate. So small a matter as the appointment of a parish priest occasioned almost always a violent contest, not only in one parish, but in all the neighbouring parishes, who seldom failed to take part in the quarrel. When the parish happened to be situated in a great city, it divided all the inhabitants into two parties; and when that city happened either to constitute itself a little republic, or to be the head and capital of a little republic, as is the case with many of the considerable cities in Switzerland and Holland, every paltry dispute of this kind, over and above exasperating the animosity of all their other factions, threatened to leave behind it both a new schism in the church, and a new faction in the state. In those small republics, therefore, the magistrate very soon found it necessary, for the sake of preserving the public peace, to assume to himself the right of presenting to all vacant benefices. In Scotland, the most extensive country in which this presbyterian form of church government has ever been established, the rights of patronage were in effect abolished by the act which established presbytery in the beginning of the reign of William III. That act at least put it in the power of certain classes of people in each parish to purchase, for a very small price, the right of electing their own pastor. The constitution which this act established was allowed to subsist for about two and twenty years, but was abolished by the 10th of Queen Anne, c. 12., on account of the confusions and disorders which this most popular mode of election had almost every

where occasioned. In so extensive a country as Scotland, however, a tumult in a remote parish was not so likely to give disturbance to government as in a smaller state. The 10th of Queen Anne restored the rights of patronage. But though in Scotland the law gives the benefice without any exception to the person presented by the patron, yet the church requires sometimes (for she has not in this respect been very uniform in her decisions) a certain concurrence of the people, before she will confer upon the presentee what is called the cure of souls, or the ecclesiastical jurisdiction in the parish. She sometimes at least, from an affected concern for the peace of the parish, delays the settlement till this concurrence can be procured. The private tampering of some of the neighbouring clergy, sometimes to procure, but more frequently to prevent this concurrence, and the popular arts which they cultivate in order to enable them upon such occasions to tamper more effectually, are perhaps the causes which principally keep up whatever remains of the old fanatical spirit, either in the clergy or in the people of Scotland.

The equality which the presbyterian form of church government establishes among the clergy consists, first, in the equality of authority or ecclesiastical jurisdiction; and, secondly, in the equality of benefice. In all presbyterian churches the equality of authority is perfect: that of benefice is not so. The difference, however, between one benefice and another is seldom so considerable as commonly to tempt the possessor even of the small one to pay court to his patron, by the vile arts of flattery and assentation, in order to get a better. In all the presbyterian churches, where the rights of patronage are thoroughly established, it is by nobler and better arts that the established clergy in general endeavour to gain the favour of their superiors; by their learning, by the irreproachable regularity of their life, and by the faithful and diligent discharge of their duty. Their patrons even frequently complain of the independency of their spirit, which they are apt to construe into ingratitude for past favours, but which at worst, perhaps, is seldom any more than that indifference which naturally arises from the consciousness that no further favours of the kind are ever to be expected. There is scarce perhaps to be found anywhere in Europe a more learned, decent, independent, and respectable set of men than the greater part of the presbyterian clergy of Holland, Geneva, Switzerland, and Scotland.

When the church benefices are all nearly equal, none of them can be very great; and this mediocrity of benefice, though it may no doubt be carried too far, has, however, some very agreeable effects. Nothing but the most exemplary morals can give dignity to a man of small fortune. The vices of levity and vanity necessarily render him ridiculous, and are besides almost as ruinous to him as they are to the common people. In his own conduct, therefore, he is obliged to follow that system of morals which the common people respect the most. He gains their esteem and affection by that plan of life which his own interest and situation would lead him to follow. The common people look upon him with that kindness with which we naturally regard one who approaches somewhat to our own condition, but who, we think, ought to be in a higher. Their kindness naturally provokes his kindness. He becomes careful to instruct them, and attentive to assist and relieve them. He does not even despise the prejudices of people who are disposed to be so favourable to him, and never treats them with those contemptuous and arrogant airs which we so often meet with in the proud dignitaries of opulent and well-endowed churches. The presbyterian clergy, accordingly, have more influence over the minds of the common people than perhaps the clergy of any other established church. It is accordingly in presbyterian countries only that we ever find the common people converted, without persecution, completely, and almost to a man, to the established church.

In countries where church benefices are the greater part of them very moderate, a chair in a university is generally a better establishment than a church benefice. The universities have, in this case, the picking and choosing of their members from all the churchmen of the country, who in every country constitute by far the most numerous class of men of letters. Where church benefices, on the contrary, are many of them very considerable, the church naturally draws from the universities the greater part of their eminent men of letters; who generally find some patron who does himself honour by procuring them church preferment. In the former situation we are likely to find the universities filled with the most eminent men of letters that are to be found in the country. In the latter we are likely to find few eminent men among them, and those few among the youngest members of the society, who are likely too to be drained away from it, before they can have acquired experience and knowledge enough to be of much use to it. It is observed by M. de Voltaire, that father Porée, a jesuit of no great eminence in the republic of letters, was the only professor they had ever had in France whose works were worth the reading. In a country which has produced so many eminent men of letters, it must appear somewhat singular, that scarce one of them should have been a professor in a university. The famous Gassendi was, in the beginning of his life, a

professor in the university of Aix. Upon the first dawning of his genius, it was represented to him, that by going into the church he could easily find a much more quiet and comfortable subsistence, as well as a better situation for pursuing his studies; and he immediately followed the advice. The observation of M. de Voltaire may be applied, I believe, not only to France, but to all other Roman catholic countries. We very rarely find in any of them an eminent man of letters who is a professor in a university, except, perhaps, in the professions of law and physic; professions from which the church is not so likely to draw them. After the church of Rome, that of England is by far the richest and best endowed church in Christendom. In England, accordingly, the church is continually drawing the universities of all their best and ablest members; and an old college tutor, who is known and distinguished in Europe as an eminent man of letters, is as rarely to be found there as in any Roman catholic country. In Geneva, on the contrary, in the protestant cantons of Switzerland, in the protestant countries of Germany, in Holland, in Scotland, in Sweden, and Denmark, the most eminent men of letters whom those countries have produced, have, not all indeed, but the far greater part of them, been professors in universities. In those countries the universities are continually draining the church of all its most eminent men of letters.

It may perhaps be worth while to remark, that if we except the poets, a few orators, and a few historians, the far greater part of the other eminent men of letters, both of Greece and Rome, appear to have been either public or private teachers; generally either of philosophy or of rhetoric. This remark will be found to hold true from the days of Lysias and Isocrates, of Plato and Aristotle, down to those of Plutarch and Epictetus, of Suetonius and Quintilian. To impose upon any man the necessity of teaching, year after year, in any particular branch of science, seems in reality to be the most effectual method for rendering him completely master of it himself. By being obliged to go every year over the same ground, if he is good for any thing, he necessarily becomes, in a few years, well acquainted with every part of it: and if, upon any particular point he should form too hasty an opinion one year, when he comes in the course of his lectures to reconsider the same subject the year thereafter, he is very likely to correct it. As to be a teacher of science, is certainly the natural employment of a mere man of letters, so is it likewise, perhaps, the education which is most likely to render him a man of solid learning and knowledge. The mediocrity of church benefices naturally tends to draw the greater part of men of letters, in the country where it takes place, to the employment in which they can be the most useful to the public, and at the same time to give them the best education, perhaps, they are capable of receiving. It tends to render their learning both as solid as possible, and as useful as possible.

The revenue of every established church, such parts of it excepted as may arise from particular lands or manors, is a branch, it ought to be observed, of the general revenue of the state, which is thus diverted to a purpose very different from the defence of the state. The tithe, for example, is a real land-tax, which puts it out of the power of the proprietors of land to contribute so largely towards the defence of the state as they otherwise might be able to do. The rent of land however is, according to some, the sole fund, and according to others, the principal fund, from which, in all great monarchies, the exigences of the state must be ultimately supplied. The more of this fund that is given to the church, the less it is evident, can be spared to the state. It may be laid down as a certain maxim, that, all other things being supposed equal, the richer the church, the poorer must necessarily be, either the sovereign on the one hand, or the people on the other; and, in all cases, the less able must the state be to defend itself. In several protestant countries, particularly in all the protestant cantons of Switzerland, the revenue which anciently belonged to the Roman catholic church, the tithes and church lands, has been found a fund sufficient not only to afford competent salaries to the established clergy, but to defray with little or no addition all the other expenses of the state. The magistrates of the powerful canton of Berne, in particular, have accumulated out of the savings from this fund a very large sum, supposed to amount to several millions; part of which is deposited in a public treasure, and part is placed at interest in what are called the public funds of the different indebted nations of Europe; chiefly in those of France and Great Britain. What may be the amount of the whole expense which the church either of Berne or of any other protestant canton costs the state, I do not pretend to know. By a very exact account it appears, that, in 1755, the whole revenue of the clergy of the church of Scotland, including their glebe or church lands, and the rent of their manses or dwelling-houses, estimated according to a reasonable valuation, amounted only to 68,514*l.* 1*s.* $5\frac{1}{12}$*d.* This very moderate revenue affords a decent subsistence to nine hundred and forty-four ministers. The whole expense of the church, including what is occasionally laid out for the building and reparation of churches, and of the manses of ministers, cannot well be supposed to exceed eighty or eighty-five thou-

sand pounds a year. The most opulent church in Christendom does not maintain better the uniformity of faith, the fervour of devotion, the spirit of order, regularity, and austere morals in the great body of the people, than this very poorly endowed church of Scotland. All the good effects, both civil and religious, which an established church can be supposed to produce, are produced by it as completely as by any other.[1] The greater part of the protestant churches of Switzerland, which in general are not better endowed than the church of Scotland, produce those effects in a still higher degree. In the greater part of the protestant cantons, there is not a single person to be found who does not profess himself to be of the established church. If he professes himself to be of any other indeed, the law obliges him to leave the canton. But so severe, or rather indeed so oppressive a law, could never have been executed in such free countries, had not the diligence of the clergy before-hand converted to the established church the whole body of the people, with the exception of perhaps a few individuals only. In some parts of Switzerland, accordingly, where, from the accidental union of a protestant and Roman catholic country, the conversion has not been so complete, both religions are not only tolerated but established by law.

The proper performance of every service seems to require that its pay or recompense should be, as exactly as possible, proportioned to the nature of the service. If any service is very much underpaid, it is very apt to suffer by the meanness and incapacity of the greater part of those who are employed in it. If it is very much overpaid, it is apt to suffer perhaps still more by their negligence and idleness. A man of a large revenue, whatever may be his profession, thinks he ought to live like other men of large revenues, and to spend a great part of his time in festivity, in vanity, and in dissipation. But in a clergyman this train of life not only consumes the time which ought to be employed in the duties of his function, but in the eyes of the common people destroys almost entirely that sanctity of character which can alone enable him to perform those duties with proper weight and authority.

Part IV.

Of the Expense of supporting the Dignity of the Sovereign.

Over and above the expenses necessary for enabling the sovereign to perform his several duties, a certain expense is requisite for the support of his dignity. This expense varies, both with the different periods of improvement, and with the different forms of government.

In an opulent and improved society, where all the different orders of people are growing every day more expensive in their houses, in their furniture, in their tables, in their dress, and in their equipage; it cannot well be expected that the sovereign should alone hold out against the fashion. He naturally, therefore, or rather necessarily becomes more expensive in all those different articles too. His dignity even seems to require that he should become so.

As in point of dignity a monarch is more raised above his subjects than the chief magistrate of any republic is ever supposed to be above his fellow-citizens, so a greater expense is necessary for supporting that higher dignity. We naturally expect more splendour in the court of a king, than in the mansion-house of a doge or burgomaster.

Conclusion.

The expense of defending the society, and that of supporting the dignity of the chief magistrate, are both laid out for the general benefit of the whole society. It is reasonable, therefore, that they should be defrayed by the general contribution of the whole society; all the different members contributing, as nearly as possible, in proportion to their respective abilities.

The expense of the administration of justice too may, no doubt, be considered as laid out for the benefit of the whole society. There is no impropriety, therefore, in its being defrayed by the general contribution of the whole society. The persons, however, who give occasion to this expense, are those who, by their injustice in one way or another, make it necessary to seek redress or protection from the courts of justice. The persons again most immediately benefited by this expense, are those whom the courts of justice either restore to their rights, or maintain in their rights. The expense of the administration of justice, therefore, may very properly be defrayed by the particular contribution of one or other, or both of those two different sets of persons, according as different occasions may require, that is, by the fees of court. It cannot be necessary to have recourse to the general contribution of the whole society, except for the conviction of those criminals who have not themselves

[1] Estimating the present revenue of the Scotch clergy, exclusive of their glebes and houses, at 200*l.* a year each at an average, the entire cost of the establishment will amount to about 190,000*l.* a year. We have already observed (p. 61, note) that by an act passed in 1812, the stipends of such Scotch clergymen as were below 150*l.* a year, exclusive of their glebes and houses, were raised to that sum. But there can hardly be a doubt that such an income is inadequate to support a clergyman in his proper station; and it seems to be the general opinion that the *minimum* money stipend ought to be raised to 250*l.* or 300*l.* a year.

any estate or fund sufficient for paying those fees.

Those local or provincial expenses of which the benefit is local or provincial (what is laid out, for example, upon the police of a particular town or district) ought to be defrayed by a local or provincial revenue, and ought to be no burden upon the general revenue of the society. It is unjust that the whole society should contribute towards an expense of which the benefit is confined to a part of the society.

The expense of maintaining good roads and communications is, no doubt, beneficial to the whole society, and may therefore, without any injustice, be defrayed by the general contribution of the whole society. This expense, however, is most immediately and directly beneficial to those who travel or carry goods from one place to another, and to those who consume such goods. The turnpike tolls in England, and the duties called peages in other countries, lay it altogether upon those two different sets of people, and thereby discharge the general revenue of the society from a very considerable burden.

The expense of the institutions for education and religious instruction is likewise, no doubt, beneficial to the whole society, and may therefore, without injustice, be defrayed by the general contribution of the whole society. This expense, however, might perhaps, with equal propriety, and even with some advantage, be defrayed altogether by those who receive the immediate benefit of such education and instruction, or by the voluntary contribution of those who think they have occasion for either the one or the other.

When the institutions or public works which are beneficial to the whole society either cannot be maintained altogether, or are not maintained altogether, by the contribution of such particular members of the society as are most immediately benefited by them, the deficiency must, in most cases, be made up by the general contribution of the whole society. The general revenue of the society, over and above defraying the expense of defending the society, and of supporting the dignity of the chief magistrate, must make up for the deficiency of many particular branches of revenue. The sources of this general or public revenue, I shall endeavour to explain in the following chapter.

CHAP. II.

Of the Sources of the general or public Revenue of the Society.

The revenue which must defray, not only the expense of defending the society and of supporting the dignity of the chief magistrate, but all the other necessary expenses of government, for which the constitution of the state has not provided any particular revenue, may be drawn either, first, from some fund which peculiarly belongs to the sovereign or commonwealth, and which is independent of the revenue of the people; or, secondly, from the revenue of the people.

PART I.

Of the Funds or Sources of Revenue which may peculiarly belong to the Sovereign or Commonwealth.

The funds or sources of revenue which may peculiarly belong to the sovereign or commonwealth, must consist either in stock or in land.

The sovereign, like any other owner of stock, may derive a revenue from it, either by employing it himself, or by lending it. His revenue is in the one case profit, in the other interest.

The revenue of a Tartar or Arabian chief consists in profit. It arises principally from the milk and increase of his own herds and flocks, of which he himself superintends the management, and is the principal shepherd or herdsman of his own horde or tribe. It is, however, in this earliest and rudest state of civil government only, that profit has ever made the principal part of the public revenue of a monarchical state.

Small republics have sometimes derived a considerable revenue from the profit of mercantile projects. The republic of Hamburgh is said to do so from the profits of a public wine cellar and apothecary's shop.[1] The state cannot be very great of which the sovereign has leisure to carry on the trade of a wine merchant or apothecary. The profit of a public bank has been a source of revenue to more considerable states. It has been so not only to Hamburgh, but to Venice and Amsterdam. A revenue of this kind has even by some people been thought not below the attention of so great an empire as that of Great Britain. Reckoning the ordinary dividend of the bank of England at five and a half per cent., and its capital at ten millions seven hundred and

[1] See Mémoires concernant les Droits et Impositions en Europe, tomo i. p. 73. This work was compiled by the order of the court for the use of a commission employed for some years past in considering the proper means for reforming the finances of France. The account of the French taxes, which takes up three volumes in quarto, may be regarded as perfectly authentic. That of those of other European nations was compiled from such informations as the French ministers at the different courts could procure. It is much shorter, and probably not quite so exact as that of the French taxes. (Note by the author.)

eighty thousand pounds, the neat annual profit, after paying the expense of management, must amount, it is said, to five hundred and ninety-two thousand nine hundred pounds. Government, it is pretended, could borrow this capital at three per cent. interest, and by taking the management of the bank into its own hands, might make a clear profit of two hundred and sixty-nine thousand five hundred pounds a year. The orderly, vigilant, and parsimonious administration of such aristocracies as those of Venice and Amsterdam, is extremely proper, it appears from experience, for the management of a mercantile project of this kind. But whether such a government as that of England — which, whatever may be its virtues, has never been famous for good economy, which, in time of peace, has generally conducted itself with the slothful and negligent profusion that is, perhaps, natural to monarchies, and in time of war has constantly acted with all the thoughtless extravagance that democracies are apt to fall into — could be safely trusted with the management of such a project, must at least be a good deal more doubtful.

The post-office is properly a mercantile project. The government advances the expense of establishing the different offices, and of buying or hiring the necessary horses or carriages, and is repaid, with a large profit, by the duties upon what is carried. It is, perhaps, the only mercantile project which has been successfully managed by, I believe, every sort of government. The capital to be advanced is not very considerable. There is no mystery in the business. The returns are not only certain, but immediate.

Princes, however, have frequently engaged in many other mercantile projects, and have been willing, like private persons, to mend their fortunes by becoming adventurers in the common branches of trade. They have scarce ever succeeded. The profusion with which the affairs of princes are always managed, renders it almost impossible that they should. The agents of a prince regard the wealth of their master as inexhaustible; are careless at what price they buy; are careless at what price they sell; are careless at what expense they transport his goods from one place to another. Those agents frequently live with the profusion of princes, and sometimes too, in spite of that profusion, and by a proper method of making up their accounts, acquire the fortunes of princes. It was thus, as we are told by Machiavel, that the agents of Lorenzo of Medicis, not a prince of mean abilities, carried on his trade. The republic of Florence was several times obliged to pay the debt into which their extravagance had involved him. He found it convenient, accordingly, to give up the business of merchant, the business to which his family had originally owed their fortune, and in the latter part of his life to employ both what remained of that fortune, and the revenue of the state of which he had the disposal, in projects and expenses more suitable to his station.

No two characters seem more inconsistent than those of trade and sovereign. If the trading spirit of the English East India company renders them very bad sovereigns, the spirit of sovereignty seems to have rendered them equally bad traders. While they were traders only, they managed their trade successfully, and were able to pay from their profits a moderate dividend to the proprietors of their stock. Since they became sovereigns, with a revenue which, it is said, was originally more than three millions sterling, they have been obliged to beg the extraordinary assistance of government in order to avoid immediate bankruptcy. In their former situation, their servants in India considered themselves as the clerks of merchants: in their present situation, those servants consider themselves as the ministers of sovereigns.

A state may sometimes derive some part of its public revenue from the interest of money, as well as from the profits of stock. If it has amassed a treasure, it may lend a part of that treasure either to foreign states or to its own subjects.

The canton of Berne derives a considerable revenue by lending a part of its treasure to foreign states; that is, by placing it in the public funds of the different indebted nations of Europe, chiefly in those of France and England. The security of this revenue must depend, first, upon the security of the funds in which it is placed, or upon the good faith of the government which has the management of them; and, secondly, upon the certainty or probability of the continuance of peace with the debtor nation. In the case of a war, the very first act of hostility, on the part of the debtor nation, might be the forfeiture of the funds of its creditor. This policy of lending money to foreign states is, so far as I know, peculiar to the canton of Berne.

The city of Hamburgh [1] has established a sort of public pawn-shop, which lends money to the subjects of the state upon pledges at six per cent. interest. This pawn-shop, or Lombard, as it is called, affords a revenue, it is pretended, to the state of a hundred and fifty thousand crowns, which, at four and sixpence the crown, amounts to 33,750*l.* sterling.

The government of Pennsylvania, without amassing any treasure, invented a method of lending, not money indeed, but what is equivalent to money, to its subjects. By

[1] See Mémoires concernant les Droits et Impositions en Europe, tome i. p. 73.

advancing to private people, at interest, and upon land security to double the value, paper bills of credit to be redeemed fifteen years after their date, and in the mean time made transferable from hand to hand like bank notes, and declared by act of assembly to be a legal tender in all payments from one inhabitant of the province to another, it raised a moderate revenue, which went a considerable way towards defraying an annual expense of about 4500*l.*, the whole ordinary expense of that frugal and orderly government. The success of an expedient of this kind must have depended upon three different circumstances: first, upon the demand for some other instrument of commerce, besides gold and silver money, or upon the demand for such a quantity of consumable stock as could not be had without sending abroad the greater part of their gold and silver money, in order to purchase it; secondly, upon the good credit of the government which made use of this expedient; and, thirdly upon the moderation with which it was used, the whole value of the paper bills of credit never exceeding that of the gold and silver money which would have been necessary for carrying on their circulation, had there been no paper bills of credit. The same expedient was, upon different occasions, adopted by several other American colonies; but, from want of this moderation, it produced in the greater part of them much more disorder than convenience.

The unstable and perishable nature of stock and credit, however, render them unfit to be trusted to as the principal funds of that sure, steady, and permanent revenue, which can alone give security and dignity to government. The government of no great nation, that was advanced beyond the shepherd state, seems ever to have derived the greater part of its public revenue from such sources.

Land is a fund of a more stable and permanent nature; and the rent of public lands, accordingly, has been the principal source of the public revenue of many a great nation that was much advanced beyond the shepherd state. From the produce or rent of the public lands, the ancient republics of Greece and Italy derived, for a long time, the greater part of that revenue which defrayed the necessary expenses of the commonwealth. The rent of the crown lands constituted for a long time the greater part of the revenue of the ancient sovereigns of Europe.

War and the preparation for war are the two circumstances which in modern times occasion the greater part of the necessary expense of all great states. But in the ancient republics of Greece and Italy every citizen was a soldier, who both served and prepared himself for service at his own expense. Neither of these two circumstances, therefore, could occasion any very considerable expense to the state. The rent of a very moderate landed estate might be fully sufficient for defraying all the other necessary expenses of government.

In the ancient monarchies of Europe, the manners and customs of the times sufficiently prepared the great body of the people for war; and when they took the field, they were, by the condition of their feudal tenures, to be maintained either at their own expense or at that of their immediate lords, without bringing any new charge upon the sovereign. The other expenses of government were, the greater part of them, very moderate. The administration of justice, it has been shown, instead of being a cause of expense, was a source of revenue. The labour of the country people for three days before and for three days after harvest was thought a fund sufficient for making and maintaining all the bridges, highways, and other public works which the commerce of the country was supposed to require. In those days the principal expense of the sovereign seems to have consisted in the maintenance of his own family and household. The officers of his household, accordingly, were then the great officers of state. The lord treasurer received his rents. The lord steward and lord chamberlain looked after the expense of his family. The care of his stables was committed to the lord constable and the lord marshal. His houses were all built in the form of castles, and seem to have been the principal fortresses which he possessed. The keepers of those houses or castles might be considered as a sort of military governors. They seem to have been the only military officers whom it was necessary to maintain in time of peace. In these circumstances the rent of a great landed estate might, upon ordinary occasions, very well defray all the necessary expenses of government.

In the present state of the greater part of the civilised monarchies of Europe, the rent of all the lands in the country, managed as they probably would be if they all belonged to one proprietor, would scarce perhaps amount to the ordinary revenue which they levy upon the people even in peaceable times. The ordinary revenue of Great Britain, for example, including not only what is necessary for defraying the current expense of the year, but for paying the interest of the public debts, and for sinking a part of the capital of those debts, amounts to upwards of ten millions a year.[1] But

[1] The ordinary *gross* revenue of Great Britain for the year ending 31st March 1863, amounted to 65,776,097*l.*, exclusive of the revenue derived from Ireland. The ordinary *nett* revenue of Great Britain

the land tax, at four shillings in the pound, falls short of two millions a year. This land tax, as it is called, however, is supposed to be one-fifth, not only of the rent of all the land, but of that of all the houses, and of the interest of all the capital stock of Great Britain, that part of it only excepted which is either lent to the public, or employed as farming stock in the cultivation of land.[1] A very considerable part of the produce of this tax arises from the rent of houses and the interest of capital stock. The land tax of the city of London, for example, at four shillings in the pound, amounts to 123,399*l.* 6*s.* 7*d.* That of the city of Westminster to 63,092*l.* 1*s.* 5*d.* That of the palaces of Whitehall and St. James's to 30,754*l.* 6*s.* 3*d.* A certain proportion of the land tax is in the same manner assessed upon all the other cities and towns corporate in the kingdom; and arises almost altogether either from the rent of houses or from what is supposed to be the interest of trading and capital stock. According to the estimation, therefore, by which Great Britain is rated to the land tax, the whole mass of revenue arising from the rent of all the lands, from that of all the houses, and from the interest of all the capital stock, that part of it only excepted which is either lent to the public, or employed in the cultivation of land, does not exceed ten millions sterling a year, the ordinary revenue which government levies upon the people even in peaceable times. The estimation by which Great Britain is rated to the land tax is, no doubt, taking the whole kingdom at an average, very much below the real value; though in several particular counties and districts it is said to be nearly equal to that value. The rent of the lands alone, exclusive of that of houses and of the interest of stock, has by many people been estimated at twenty millions; an estimation made in a great measure at random, and which, I apprehend, is as likely to be above as below the truth. But if the lands of Great Britain, in the present state of their cultivation, do not afford a rent of more than twenty millions a year, they could not well afford the half, most probably not the fourth part of that rent, if they all belonged to a single proprietor, and were put under the negligent, expensive, and oppressive management of his factors and agents. The crown lands of Great Britain do not at present afford the fourth part of the rent which could probably be drawn from them if they were the property of private persons. If the crown lands were more extensive, it is probable they would be still worse managed.

The revenue which the great body of the people derives from land is in proportion, not to the rent, but to the produce of the land. The whole annual produce of the land of every country, if we except what is reserved for seed, is either annually consumed by the great body of the people, or exchanged for something else that is consumed by them. Whatever keeps down the produce of the land below what it would otherwise rise to, keeps down the revenue of the great body of the people, still more than it does that of the proprietors of land. The rent of land, that portion of the produce which belongs to the proprietors, is scarce anywhere in Great Britain supposed to be more than a third part of the whole produce. If the land which, in one state of cultivation, affords a rent of ten millions sterling a year, would in another afford a rent of twenty millions; the rent being, in both cases, supposed a third part of the produce; the revenue of the proprietors would be less than it otherwise might be by ten millions a year only; but the revenue of the great body of the people would be less than it otherwise might be by thirty millions a year, deducting only what would be necessary for seed. The population of the country would be less by the number of people which thirty millions a year, deducting always the seed could maintain, according to the particular mode of living and expense which might take place in the different ranks of men among whom the remainder was distributed.

Though there is not at present in Europe any civilised state of any kind which derives the greater part of its public revenue from the rent of lands which are the property of the state; yet in all the great monarchies of Europe there are still many large tracts of land which belong to the crown. They are generally forest; and sometimes forest where, after travelling several miles, you will scarce find a single tree; a mere waste and loss of country in respect both of produce and population. In every great monarchy of Europe the sale of the crown lands would produce a very large sum of money, which, if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to the crown. In countries where lands, improved and cultivated very highly, and yielding at the time of sale as great a rent as can easily be got from them, commonly sell at thirty years purchase; the unimproved, uncultivated, and low-rented crown lands might well be expected to sell at forty, fifty, or sixty years' purchase. The crown might immediately enjoy the revenue

for the same year amounted to 64,178,4 20*l.* See, for further particulars, the accounts at the end of this volume.

[1] The land tax at two shillings in the pound does not at this moment certainly exceed *one-fifteenth* part of the rent of the land, independently altogether of the rent of houses and the interest of stock.

which this great price would redeem from mortgage. In the course of a few years it would probably enjoy another revenue. When the crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated. The increase of their produce would increase the population of the country, by augmenting the revenue and consumption of the people. But the revenue which the crown derives from the duties of customs and excise would necessarily increase with the revenue and consumption of the people.

The revenue which, in any civilised monarchy, the crown derives from the crown lands, though it appears to cost nothing to individuals, in reality costs more to the society than perhaps any other equal revenue which the crown enjoys. It would, in all cases, be for the interest of the society to replace this revenue to the crown by some other equal revenue, and to divide the lands among the people, which could not well be done better, perhaps, than by exposing them to public sale

Lands for the purposes of pleasure and magnificence, parks, gardens, public walks, &c. possessions which are everywhere considered as causes of expense, not as sources of revenue, seem to be the only lands which, in a great and civilised monarchy, ought to belong to the crown.

Public stock and public lands, therefore, the two sources of revenue which may peculiarly belong to the sovereign or commonwealth, being both improper and insufficient funds for defraying the necessary expense of any great and civilised state; it remains that this expense must, the greater part of it, be defrayed by taxes of one kind or another; the people contributing a part of their own private revenue in order to make up a public revenue to the sovereign or commonwealth.

PART II.

Of Taxes.

THE private revenue of individuals, it has been shown in the first book of this inquiry, arises ultimately from three different sources: rent, profit, and wages. Every tax must finally be paid from some one or other of those three different sorts of revenue, or from all of them indifferently. I shall endeavour to give the best account I can, first, of those taxes which it is intended should fall upon rent; secondly, of those which it is intended should fall upon profit; thirdly, of those which it is intended should fall upon wages; and, fourthly, of those which it is intended should fall indifferently upon all those three different sources of private revenue. The particular consideration of each of these four different sorts of taxes will divide the second part of the present chapter into four articles, three of which will require several other subdivisions. Many of these taxes, it will appear from the following review, are not finally paid from the fund, or source of revenue, upon which it was intended they should fall.

Before I enter upon the examination of particular taxes, it is necessary to premise the four following maxims with regard to taxes in general.

I. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation. Every tax, it must be observed once for all, which falls finally upon one only of the three sorts of revenue above-mentioned, is necessarily unequal, in so far as it does not affect the other two. In the following examination of different taxes I shall seldom take much further notice of this sort of inequality, but shall, in most cases, confine my observations to that inequality which is occasioned by a particular tax falling unequally upon that particular sort of private revenue which is affected by it.

II. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise; every person subject to the tax is put more or less in the power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

III. Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land or of houses, payable at the same term at which

such rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay, or when he is most likely to have wherewithal to pay. Taxes upon such consumable goods as are articles of luxury, are all finally paid by the consumer, and generally in a manner that is very convenient for him. He pays them by little and little, as he has occasion to buy the goods. As he is at liberty too either to buy or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconveniency from such taxes.

IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways:—First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people. Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may thus diminish, or perhaps destroy, some of the funds which might enable them more easily to do so. Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have received from the employment of their capitals. An injudicious tax offers a great temptation to smuggling; but the penalties of smuggling must arise in proportion to the temptation. The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it; and it commonly enhances the punishment too in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime [1] Fourthly, by subjecting the people to the frequent visits and the odious examination of the tax-gatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. It is in some one or other of these four different ways that taxes are frequently so much more burdensome to the people than they are beneficial to the sovereign.

The evident justice and utility of the foregoing maxims have recommended them more or less to the attention of all nations. All nations have endeavoured, to the best of their judgment, to render their taxes as equal as they could contrive; as certain, as convenient to the contributor, both in the time and in the mode of payment, and in proportion to the revenue which they brought to the prince, as little burdensome to the people. The following short review of some of the principal taxes which have taken place in different ages and countries will show that the endeavours of all nations have not in this respect been equally successful.

[1] See Sketches of the History of Man, p. 474, *et seq.*

ARTICLE I.

Taxes upon Rent.—Taxes upon the Rent of Land.

A tax upon the rent of land may either be imposed according to a certain canon, every district being valued at a certain rent, which valuation is not afterward to be altered; or it may be imposed in such a manner as to vary with every variation in the real rent of the land, and to rise or fall with the improvement or declension of its cultivation.

A land-tax which, like that of Great Britain, is assessed upon each district according to a certain invariable canon, though it should be equal at the time of its first establishment, necessarily becomes unequal in process of time, according to the unequal degrees of improvement or neglect in the cultivation of the different parts of the country. In England, the valuation according to which the different counties and parishes were assessed to the land-tax by the 4th of William and Mary, was very unequal even at its first establishment. This tax, therefore, so far offends against the first of the four maxims above-mentioned. It is perfectly agreeable to the other three. It is perfectly certain. The time of payment for the tax being the same as that for the rent, is as convenient as it can be to the contributor. Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in the payment of the rent. This tax is levied by a much smaller number of officers than any other which affords nearly the same revenue. As the tax upon each district does not rise with the rise of the rent, the sovereign does not share in the profits of the landlord's improvements. Those improvements sometimes contribute, indeed, to the discharge of the other landlords of the district. But the aggravation of the tax, which this may sometimes occasion upon a particular estate, is always so very small that it never can discourage those improvements, nor keep down the produce of the land below what it would

otherwise rise to. As it has no tendency to diminish the quantity, it can have none to raise the price of that produce. It does not obstruct the industry of the people. It subjects the landlord to no other inconveniency besides the unavoidable one of paying the tax.

The advantage, however, which the landlord has derived from the invariable constancy of the valuation by which all the lands of Great Britain are rated to the land-tax, has been principally owing to some circumstances altogether extraneous to the nature of the tax.

It has been owing in part to the great prosperity of almost every part of the country, the rents of almost all the estates of Great Britain having, since the time when this valuation was first established, been continually rising, and scarce any of them having fallen. The landlords, therefore, have almost all gained the difference between the tax which they would have paid, according to the present rent of their estates, and that which they actually pay according to the ancient valuation. Had the state of the country been different, had rents been gradually falling in consequence of the declension of cultivation, the landlords would almost all have lost this difference. In the state of things which has happened to take place since the revolution, the constancy of the valuation has been advantageous to the landlord and hurtful to the sovereign. In a different state of things it might have been advantageous to the sovereign and hurtful to the landlord.

As the tax is made payable in money, so the valuation of the land is expressed in money. Since the establishment of this valuation, the value of silver has been pretty uniform, and there has been no alteration in the standard of the coin either as to weight or fineness. Had silver risen considerably in its value, as it seems to have done in the course of the two centuries which preceded the discovery of the mines of America, the constancy of the valuation might have proved very oppressive to the landlord. Had silver fallen considerably in its value, as it certainly did for about a century at least after the discovery of those mines, the same constancy of valuation would have reduced very much this branch of the revenue of the sovereign. Had any considerable alteration been made in the standard of the money, either by sinking the same quantity of silver to a lower denomination, or by raising it to a higher; had an ounce of silver, for example, instead of being coined into five shillings and twopence, been coined either into pieces which bore so low a denomination as two shillings and sevenpence, or into pieces which bore so high a one as ten shillings and fourpence, it would in the one case have hurt the revenue of the proprietor, in the other that of the sovereign.

In circumstances, therefore, somewhat different from those which have actually taken place, this constancy of valuation might have been a very great inconveniency, either to the contributors or to the commonwealth. In the course of ages such circumstances, however, must at some time or other happen. But though empires, like all the other works of men, have all hitherto proved mortal, yet every empire aims at immortality. Every constitution, therefore, which it is meant should be as permanent as the empire itself, ought to be convenient, not in certain circumstances only, but in all circumstances; or ought to be suited, not to those circumstances which are transitory, occasional, or accidental, but to those which are necessary, and therefore always the same.

A tax upon the rent of land which varies with every variation of the rent, or which rises and falls according to the improvement or neglect of cultivation, is recommended by that sect of men of letters in France, who call themselves the economists, as the most equitable of all taxes. All taxes, they pretend, fall ultimately upon the rent of land, and ought therefore to be imposed equally upon the fund which must finally pay them. That all taxes ought to fall as equally as possible upon the fund which must finally pay them is certainly true. But without entering into the disagreeable discussion of the metaphysical arguments by which they support their very ingenious theory, it will sufficiently appear, from the following review, what are the taxes which fall finally upon the rent of the land, and what are those which fall finally upon some other fund.

In the Venetian territory all the arable lands which are given in lease to farmers are taxed at a tenth of the rent.[1] The leases are recorded in a public register which is kept by the officers of revenue in each province or district. When the proprietor cultivates his own lands, they are valued according to an equitable estimation, and he is allowed a deduction of one-fifth of the tax; so that for such land he pays only eight instead of ten per cent. of the supposed rent.

A land-tax of this kind is certainly more equal than the land-tax of England. It might not, perhaps, be altogether so certain, and the assessment of the tax might frequently occasion a good deal more trouble to the landlord. It might too be a good deal more expensive in the levying.

Such a system of administration, however, might perhaps be contrived as would, in a great measure, both prevent this uncertainty and moderate this expense.

The landlord and tenant, for example,

[1] Mémoires concernant les Droits, p. 240, 241.

might jointly be obliged to record their lease in a public register. Proper penalties might be enacted against concealing or misrepresenting any of the conditions; and if part of those penalties were to be paid to either of the two parties who informed against and convicted the other of such concealment or misrepresentation, it would effectually deter them from combining together in order to defraud the public revenue. All the conditions of the lease might be sufficiently known from such a record.

Some landlords, instead of raising the rent, take a fine for the renewal of the lease. This practice is in most cases the expedient of a spendthrift, who for a sum of ready money sells a future revenue of much greater value. It is in most cases, therefore, hurtful to the landlord. It is frequently hurtful to the tenant, and it is always hurtful to the community. It frequently takes from the tenant so great a part of his capital, and thereby diminishes so much his ability to cultivate the land, that he finds it more difficult to pay a small rent than it would otherwise have been to pay a great one. Whatever diminishes his ability to cultivate, necessarily keeps down, below what it would otherwise have been, the most important part of the revenue of the community. By rendering the tax upon such fines a good deal heavier than upon the ordinary rent, this hurtful practice might be discouraged, to the no small advantage of all the different parties concerned, of the landlord, of the tenant, of the sovereign, and of the whole community.[1]

Some leases prescribe to the tenant a certain mode of cultivation, and a certain succession of crops during the whole continuance of the lease. This condition, which is generally the effect of the landlord's conceit of his own superior knowledge (a conceit in most cases very ill founded,) ought always to be considered as an additional rent; as a rent in service instead of a rent in money. In order to discourage the practice, which is generally a foolish one, this species of rent might be valued rather high, and consequently taxed somewhat higher than common money rents.[2]

Some landlords, instead of a rent in money, require a rent in kind, in corn, cattle, poultry, wine, oil, &c.; others again require a rent in service. Such rents are always more hurtful to the tenant than beneficial to the landlord. They either take more or keep more out of the pocket of the former than they put into that of the latter. In every country where they take place, the tenants are poor and beggarly, pretty much according to the degree in which they take place. By valuing, in the same manner, such rents rather high, and consequently taxing them somewhat higher than common money rents, a practice which is hurtful to the whole community might perhaps be sufficiently discouraged.

When the landlord chose to occupy himself a part of his own lands, the rent might be valued according to an equitable arbitration of the farmers and landlords in the neighbourhood, and a moderate abatement of the tax might be granted to him in the same manner as in the Venetian territory; provided the rent of the lands which he occupied did not exceed a certain sum. It is of importance that the landlord should be encouraged to cultivate a part of his own land. His capital is generally greater than that of the tenant, and with less skill he can frequently raise a greater produce. The landlord can afford to try experiments, and is generally disposed to do so. His unsuccessful experiments occasion only a moderate loss to himself. His successful ones contribute to the improvement and better cultivation of the whole country. It might be of importance, however, that the abatement of the tax should encourage him to cultivate to a certain extent only. If the landlords should, the greater part of them, be tempted to farm the whole of their own lands, the country (instead of sober and industrious tenants, who are bound by their own interest to cultivate as well as their capital and skill will allow them) would be filled with idle and profligate bailiffs, whose abusive management would soon degrade the cultivation, and reduce the annual produce of the land, to the diminution, not only

[1] See p. 174, note.

[2] There is great room for doubting whether the censure here passed upon the conditions in leases be well-founded. In fact, the best practical farmers concur in opinion that such conditions, if judiciously devised, may be of great service to agriculture, and that they ought never to be dispensed with.

This, it must be observed, is not a question that can be decided on the principle of leaving every one to be regulated by his own sense of what is most advantageous; for here we have two parties, the landlord and the tenant, each with separate and often conflicting interests. It is for the landlord's interest that his farm should always be in good order, and more especially that it should be so when the lease is about to expire, inasmuch as the rent that it will then bring will depend very much on this circumstance. But the tenant is in a very different situation. His interest in the farm is limited to the period for which his lease endures, and it must, generally speaking, be his object to make the most of it during the term of his occupation, without caring about the state in which he leaves it. Although, therefore, restrictions as to the mode of cultivating a farm in the early part of a lease of considerable duration may perhaps be fairly objected to, no landlord who has a just sense of his own interest, or who wishes to keep his estate permanently in good order, ought ever to let a farm without laying down rules for its management, which the tenant should be bound to follow during the six or seven years immediately preceding the termination of the lease. It is true that these rules may not always be the best that might be devised, but they can hardly be so very defective as not to preserve the farm from being overcropped and exhausted previously to the tenant's leaving it; and, if they do this, they must, both in a private and public point of view, be decidedly beneficial.

of the revenue of their masters, but of the most important part of that of the whole society.

Such a system of administration might, perhaps, free a tax of this kind from any degree of uncertainty which could occasion either oppression or inconveniency to the contributor, and might at the same time serve to introduce into the common management of land such a plan or policy as might contribute a good deal to the general improvement and good cultivation of the country.

The expense of levying a land-tax, which varied with every variation of the rent, would no doubt be somewhat greater than that of levying one which was always rated according to a fixed valuation. Some additional expense would necessarily be incurred, both by the different register offices which it would be proper to establish in the different districts of the country, and by the different valuations which might occasionally be made of the lands which the proprietor chose to occupy himself. The expense of all this, however, might be very moderate, and much below what is incurred in the levying of many other taxes, which afford a very inconsiderable revenue in comparison of what might easily be drawn from a tax of this kind.

The discouragement which a variable land tax of this kind might give to the improvement of land seems to be the most important objection which can be made to it. The landlord would certainly be less disposed to improve, when the sovereign, who contributed nothing to the expense, was to share in the profit of the improvement. Even this objection might perhaps be obviated by allowing the landlord, before he began his improvement, to ascertain, in conjunction with the officers of revenue, the actual value of his lands, according to the equitable arbitration of a certain number of landlords and farmers in the neighbourhood, equally chosen by both parties; and by rating him according to this valuation for such a number of years as might be fully sufficient for his complete indemnification. To draw the attention of the sovereign towards the improvement of the land, from a regard to the increase of his own revenue, is one of the principal advantages proposed by this species of land-tax. The term, therefore, allowed for the indemnification of the landlord ought not to be a great deal longer than what was necessary for that purpose, lest the remoteness of the interest should discourage too much this attention. It had better, however, be somewhat too long than in any respect too short. No incitement to the attention of the sovereign can ever counterbalance the smallest discouragement to that of the landlord. The attention of the sovereign can be, at best, but a very general and vague consideration of what is likely to contribute to the better cultivation of the greater part of his dominions. The attention of the landlord is a particular and minute consideration of what is likely to be the most advantageous application of every inch of ground upon his estate. The principal attention of the sovereign ought to be to encourage, by every means in his power, the attention both of the landlord and of the farmer; by allowing both to pursue their own interest in their own way, and according to their own judgment; by giving to both the most perfect security that they shall enjoy the full recompense of their own industry; and, by procuring to both the most extensive market for every part of their produce, in consequence of establishing the easiest and safest communications both by land and by water, through every part of his own dominions, as well as the most unbounded freedom of exportation to the dominions of all other princes.

If by such a system of administration a tax of this kind could be so managed as to give, not only no discouragement, but, on the contrary, some encouragement to the improvement of land, it does not appear likely to occasion any other inconveniency to the landlord, except always the unavoidable one of being obliged to pay the tax.

In all the variations of the state of the society, in the improvement and in the declension of agriculture; in all the variations in the value of silver, and in all those in the standard of the coin, a tax of this kind would of its own accord and without any attention of government, readily suit itself to the actual situation of things, and would be equally just and equitable in all those different changes. It would, therefore, be much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth, than any tax which was always to be levied according to a certain valuation.

Some states, instead of the simple and obvious expedient of a register of leases, have had recourse to the laborious and expensive one of an actual survey and valuation of all the lands in the country. They have suspected, probably, that the lessor and lessee, in order to defraud the public revenue, might combine to conceal the real terms of the lease. Doomsday-book seems to have been the result of a very accurate survey of this kind.

In the ancient dominions of the king of Prussia, the land-tax is assessed according to an actual survey and valuation, which is reviewed and altered from time to time.[1] According to that valuation, the lay proprie-

[1] Mémoires concernant les Droits, &c. tome I. p 114, 115, 116, &c.

tors pay from twenty to twenty-five per cent. of their revenue: ecclesiastics from forty to forty-five per cent. The survey and valuation of Silesia was made by order of the present king; it is said with great accuracy. According to that valuation, the lands belonging to the bishop of Breslaw are taxed at twenty-five per cent. of their rent. The other revenues of the ecclesiastics of both religions, at fifty per cent. The commanderies of the Teutonic order, and of that of Malta, at forty per cent. Lands held by a noble tenure, at thirty-eight and one-third per cent. Lands held by a base tenure, at thirty-five and one-third per cent.

The survey and valuation of Bohemia is said to have been the work of more than a hundred years. It was not perfected till after the peace of 1748, by the orders of the present empress queen.[1] The survey of the duchy of Milan, which was begun in the time of Charles the VI., was not perfected till after 1760. It is esteemed one of the most accurate that has ever been made. The survey of Savoy and Piedmont was executed under the orders of the late king of Sardinia.[2]

In the dominions of the king of Prussia, the revenue of the church is taxed much higher than that of lay proprietors. The revenue of the church is, the greater part of it, a burden upon the rent of land. It seldom happens that any part of it is applied towards the improvement of land; or is so employed as to contribute in any respect towards increasing the revenue of the great body of the people. His Prussian majesty had probably, upon that account, thought it reasonable, that it should contribute a good deal more towards relieving the exigencies of the state. In some countries the lands of the church are exempted from all taxes. In others they are taxed more lightly than other lands. In the dutchy of Milan, the lands which the church possessed before 1575, are rated to the tax at a third only of their value.

In Silesia, lands held by a noble tenure are taxed three per cent. higher than those held by a base tenure. The honours and privileges of different kinds annexed to the former, his Prussian majesty had probably imagined would sufficiently compensate to the proprietor a small aggravation of the tax; while at the same time the humiliating inferiority of the latter would be in some measure alleviated by being taxed somewhat more lightly. In other countries the system of taxation, instead of alleviating, aggravates this inequality. In the dominions of the king of Sardinia, and in those provinces of France which are subject to what is called the real or predial taille, the tax falls altogether upon the lands held by a base tenure. Those held by a noble one are exempted.

A land-tax assessed according to a general survey and valuation, how equal soever it may be at first, must in the course of a very moderate period of time become unequal. To prevent its becoming so would require the continual and painful attention of government to all the variations in the state and produce of every different farm in the country. The governments of Prussia, of Bohemia, of Sardinia, and of the duchy of Milan, actually exert an attention of this kind; an attention so unsuitable to the nature of government, that it is not likely to be of long continuance, and which, if it is continued, will probably, in the long run, occasion much more trouble and vexation than it can possibly bring relief to the contributors.

In 1666, the generality of Montauban was assessed to the real or predial taille, according, it is said, to a very exact survey and valuation.[3] By 1727 this assessment had become altogether unequal. In order to remedy this inconveniency, government has found no better expedient than to impose upon the whole generality an additional tax of a hundred and twenty thousand livres. This additional tax is rated upon all the different districts subject to the taille according to the old assessment. But it is levied only upon those which in the actual state of things, are by that assessment under-taxed; and it is applied to the relief of those which, by the same assessment, are over-taxed. Two districts, for example, one of which ought, in the actual state of things, to be taxed at nine hundred, the other at eleven hundred livres, are by the old assessment, both taxed at a thousand livres. Both these districts are, by the additional tax, rated at eleven hundred livres each. But this additional tax is levied only upon the district undercharged, and it is applied altogether to the relief of that over-charged, which consequently pays only nine hundred livres. The government neither gains nor loses by the additional tax, which is applied altogether to remedy the inequalities arising from the old assessment. The application is pretty much regulated according to the discretion of the intendant of the generality, and must therefore be in a great measure arbitrary.[4]

[1] Mémoires concernant les Droits, &c. tome I. p. 89, 14.

[2] Id. tome I. p. 280. &c.; also p. 287. &c. to 316.

[3] Id. tome II. p. 139. &c.

[4] The view taken by Dr. Smith, of the effect of taxes on rent, is incomplete, from his having made no distinction between their influence on the rent of land, properly so called, or on the sum paid to the landlord for the use of the natural and inherent powers of the soil, and their influence on that part of the gross rent which consists of a return for the capital laid out on buildings, improvements, &c. The reader is referred, for some further observations on this subject, to the supplemental note on Taxes on the Rent of Land.

Taxes which are proportioned, not to the Rent, but to the Produce of Land.

Taxes upon the produce of land are in reality taxes upon the rent; and, though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportionable abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church tithe, which is a land tax of this kind, is, one year with another, likely to amount to.

The tithe, and every other land-tax of this kind, under the appearance of perfect equality, are very unequal taxes; a certain portion of the produce being, in different situations, equivalent to a very different portion of the rent. In some very rich lands the produce is so great, that the one-half of it is fully sufficient to replace to the farmer his capital employed in cultivation, together with the ordinary profits of farming stock in the neighbourhood. The other half, or, what comes to the same thing, the value of the other half, he could afford to pay as rent to the landlord, if there was no tithe. But if a tenth of the produce is taken from him in the way of tithe, he must require an abatement of the fifth part of his rent, otherwise he cannot get back his capital with the ordinary profit. In this case the rent of the landlord, instead of amounting to a half, or five-tenths of the whole produce, will amount only to four-tenths of it. In poorer lands, on the contrary, the produce is sometimes so small, and the expense of cultivation so great, that it requires four-fifths of the whole produce to replace to the farmer his capital with the ordinary profit. In this case, though there was no tithe, the rent of the landlord could amount to no more than one-fifth or two-tenths of the whole produce. But if the farmer pays one-tenth of the produce in the way of tithe, he must require an equal abatement of the rent of the landlord, which will thus be reduced to one-tenth only of the whole produce. Upon the rent of rich lands the tithe may sometimes be a tax of no more than one-fifth part, or four shillings in the pound; whereas upon that of poorer lands, it may sometimes be a tax of one-half, or of ten shillings in the pound.

The tithe, as it is frequently a very unequal tax upon the rent, so it is always a great discouragement both to the improvements of the landlord and to the cultivation of the farmer. The one cannot venture to make the most important, which are generally the most expensive improvements on the other to make the most valuable, which are generally too the most expensive, crops; when the church, which lays out no part of the expense, is to share so very largely in the profit. The cultivation of madder was, for a long time, confined by the tithe to the United Provinces, which, being presbyterian countries, and upon that account exempted from this destructive tax, enjoyed a sort of monopoly of that useful dying drug against the rest of Europe. The late attempts to introduce the culture of this plant into England, have been made only in consequence of the statute which enacted that five shillings an acre should be received in lieu of all manner of tithe upon madder.

As through the greater part of Europe the church, so in many different countries of Asia the state is principally supported by a land-tax, proportioned not to the rent, but to the produce of the land. In China, the principal revenue of the sovereign consists in a tenth part of the produce of all the lands of the empire. This tenth part, however, is estimated so very moderately, that, in many provinces, it is said not to exceed a thirtieth part of the ordinary produce. The land-tax or land-rent which used to be paid to the Mahometan government of Bengal, before that country fell into the hands of the English East India company, is said to have amounted to about a fifth part of the produce. The land-tax of ancient Egypt is said likewise to have amounted to a fifth part.

In Asia, this sort of land-tax is said to interest the sovereign in the improvement and cultivation of land. The sovereigns of China, those of Bengal while under the Mahometan government, and those of ancient Egypt, are said, accordingly, to have been extremely attentive to the making and maintaining of good roads and navigable canals, in order to increase as much as possible both the quantity and value of every part of the produce of the land, by procuring to every part of it the most extensive market which their own dominions could afford. The tithe of the church is divided into such small portions, that no one of its proprietors can have any interest of this kind. The parson of a parish could never find his account in making a road or canal to a distant part of the country, in order to extend the market for the produce of his own particular parish. Such taxes, when destined for the maintenance of the state, have some advantages which may serve in some measure to balance their inconveniency. When destined for the maintenance of the church, they are attended with nothing but inconveniency.

Taxes upon the produce of land may be levied either in kind, or, according to a certain valuation, in money.

receiving, the one his tithe, and the other his rent, in kind. The quantity to be collected, and the district within which it is to be collected, are so small, that they both can oversee, with their own eyes, the collection and disposal of every part of what is due to them. A gentleman of great fortune, who lived in the capital, would be in danger of suffering much by the neglect, and more by the fraud of his factors and agents, if the rents of an estate in a distant province were to be paid to him in this manner. The loss of the sovereign, from the abuse and depredation of his tax-gatherers, would necessarily be much greater. The servants of the most careless private person are, perhaps, more under the eye of their master than those of the most careful prince; and a public revenue, which was paid in kind, would suffer so much from the mismanagement of the collectors, that a very small part of what was levied upon the people would ever arrive at the treasury of the prince. Some part of the public revenue of China, however, is said to be paid in this manner. The mandarins and other tax-gatherers will, no doubt, find their advantage in continuing the practice of a payment which is so much more liable to abuse than any payment in money.

A tax upon the produce of land which is levied in money, may be levied either according to a valuation which varies with all the variations of the market price, or according to a fixed valuation, a bushel of wheat, for example, being always valued at one and the same money price, whatever may be the state of the market. The produce of a tax levied in the former way will vary only according to the variations in the real produce of the land, according to the improvement or neglect of cultivation. The produce of a tax levied in the latter way will vary, not only according to the variations in the produce of the land, but according to both those in the value of the precious metals, and those in the quantity of those metals which is at different times contained in coin of the same denomination. The produce of the former will always bear the same proportion to the value of the real produce of the land. The produce of the latter may, at different times, bear very different proportions to that value.

When, instead either of a certain portion of the produce of land, or of the price of a certain portion, a certain sum of money is to be paid in full compensation for all tax or tithe, the tax becomes, in this case, exactly of the same nature with the land-tax of England. It neither rises nor falls with the rent of the land; it neither encourages nor discourages improvement. The tithe, in the greater part of those parishes which pay what is called a modus in lieu of all other tithe, is a tax of this kind. During the Mahometan government of Bengal, instead of the payment in kind of a fifth part of the produce, a modus, and, it is said, a very moderate one, was established in the greater part of the districts or zemindaries of the country. Some of the servants of the East India company, under pretence of restoring the public revenue to its proper value, have, in some provinces, exchanged this modus for a payment in kind. Under their management this change is likely both to discourage cultivation, and to give new opportunities for abuse in the collection of the public revenue, which has fallen very much below what it was said to have been when it first fell under the management of the company. The servants of the company may, perhaps, have profited by this change, but at the expense, it is probable, both of their masters and of the country.[1]

Taxes upon the Rent of Houses.

The rent of a house may be distinguished into two parts, of which the one may very properly be called the building rent, the other is commonly called the ground rent.

The building rent is the interest or profit of the capital expended in building the house. In order to put the trade of a builder upon a level with other trades, it is necessary that this rent should be sufficient, first, to pay him the same interest which he would have got for his capital if he had lent it upon good security; and, secondly, to keep the house in constant repair, or, what comes to the same thing, to replace, within a certain term of years, the capital which had been employed in building it. The building rent, or the ordinary profit of building, is therefore every where regulated by the ordinary interest of money. Where the market rate of interest is four per cent. the rent of a house which, over and above paying the ground-rent, affords six or six and a half per cent. upon the whole expense of building, may perhaps afford a sufficient profit to the builder. Where the market rate of interest is five per cent. it may perhaps require seven or seven and a half per cent. If, in proportion to the interest of money, the trade of the builder affords at any time a much greater profit than this, it will soon draw so much capital from other trades as will reduce the profit to its proper level. If it affords at any time much less than this, other trades will soon draw so much capital from it as will again raise that profit.

Whatever part of the whole rent of a house is over and above what is sufficient for affording this reasonable profit, naturally goes to

[1] The question with respect to the real incidence and effect of taxes proportioned to the gross produce of the land, is one of much greater difficulty and nicety than Dr. Smith seems to have supposed. See supplemental note on this subject.

the ground-rent; and where the owner of the ground and the owner of the building are two different persons, is, in most cases, completely paid to the former. This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation. In country houses, at a distance from any great town, where there is plenty of ground to choose upon, the ground-rent is scarce any thing, or no more than what the ground which the house stands upon would pay if employed in agriculture. In country villas, in the neighbourhood of some great town, it is sometimes a good deal higher; and the peculiar convenience or beauty of situation is there frequently very well paid for. Ground-rents are generally highest in the capital, and in those particular parts of it where there happens to be the greatest demand for houses, whatever be the reason of that demand, whether for trade and business, for pleasure and society, or for mere vanity and fashion.

A tax upon house-rent, payable by the tenant, and proportioned to the whole rent of each house, could not, for any considerable time at least, affect the building rent. If the builder did not get his reasonable profit, he would be obliged to quit the trade; which, by raising the demand for building, would in a short time bring back its profit to its proper level with that of other trades. Neither would such a tax fall altogether upon the ground-rent; but it would divide itself in such a manner as to fall, partly upon the inhabitant of the house, and partly upon the owner of the ground.

Let us, suppose, for example, that a particular person judges that he can afford for house-rent an expense of sixty pounds a year; and let us suppose too that a tax of four shillings in the pound, or of one-fifth, payable by the inhabitant, is laid upon house-rent, — a house of sixty pounds rent will, in this case, cost him seventy-two pounds a year, which is twelve pounds more than he thinks he can afford. He will, therefore, content himself with a worse house, or a house of fifty pounds rent, which, with the additional ten pounds that he must pay for the tax, will make up the sum of sixty pounds a year, the expense which he judges he can afford; and, in order to pay the tax, he will give up a part of the additional convenience which he might have had from a house of ten pounds a year more rent. He will give up, I say, a part of this additional convenience; for he will seldom be obliged to give up the whole, but will, in consequence of the tax, get a better house for fifty pounds a year, than he could have got if there had been no tax: for as a tax of this kind, by taking away this particular competitor, must diminish the competition for houses of sixty pounds rent, so it must likewise diminish it for those of fifty pounds rent, and in the same manner for those of all other rents, except the lowest rent, for which it would for some time increase the competition. But the rents of every class of houses for which the competition was diminished would necessarily be more or less reduced. As no part of this reduction however could, for any considerable time at least, affect the building rent, the whole of it must, in the long run, necessarily fall upon the ground-rent. The final payment of this tax, therefore, would fall, partly upon the inhabitant of the house, who, in order to pay his share, would be obliged to give up a part of his convenience; and partly upon the owner of the ground, who, in order to pay his share, would be obliged to give up a part of his revenue. In what proportion this final payment would be divided between them, it is not perhaps very easy to ascertain. The division would probably be very different in different circumstances, and a tax of this kind might, according to those different circumstances, affect very unequally both the inhabitant of the house and the owner of the ground.

The inequality with which a tax of this kind might fall upon the owners of different ground-rents would arise altogether from the accidental inequality of this division. But the inequality with which it might fall upon the inhabitants of different houses would arise not only from this but from another cause. The proportion of the expense of house-rent to the whole expense of living is different in the different degrees of fortune. It is perhaps highest in the highest degree, and it diminishes gradually through the inferior degrees, so as in general to be lowest in the lowest degree. The necessaries of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principal expense of the rich; and a magnificent house embellishes and sets off to the best advantage all the other luxuries and vanities which they possess. A tax upon house-rents, therefore, would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be any thing very unreasonable. It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.

The rent of houses, though it in some respects resembles the rent of land, is in one respect essentially different from it. The rent of land is paid for the use of a productive subject. The land which pays it produces it. The rent of houses is paid for the use of an unproductive subject.[1] Neither the

[1] This opinion is consistent with Dr. Smith's theory of productive and unproductive expenditure;

house nor the ground which it stands upon produce any thing. The person who pays the rent, therefore, must draw it from some other source of revenue, distinct from and independent of this subject. A tax upon the rent of houses, so far as it falls upon the inhabitants, must be drawn from the same source as the rent itself, and must be paid from their revenue, whether derived from the wages of labour, the profits of stock, or the rent of land. So far as it falls upon the inhabitants, it is one of those taxes which fall, not upon one only, but indifferently upon all the three different sources of revenue, and is, in every respect, of the same nature as a tax upon any other sort of consumable commodities. In general, there is not perhaps any one article of expense or consumption by which the liberality or narrowness of a man's whole expense can be better judged of than by his house-rent. A proportional tax upon this particular article of expense might perhaps produce a more considerable revenue than any which has hitherto been drawn from it in any part of Europe. If the tax indeed was very high, the greater part of people would endeavour to evade it as much as they could, by contenting themselves with smaller houses, and by turning the greater part of their expense into some other channel.

The rent of houses might easily be ascertained with sufficient accuracy, by a policy of the same kind with that which would be necessary for ascertaining the ordinary rent of land. Houses not inhabited ought to pay no tax. A tax upon them would fall altogether upon the proprietor, who would thus be taxed for a subject which afforded him neither conveniency nor revenue. Houses inhabited by the proprietor ought to be rated, not according to the expense which they might have cost in building, but according to the rent which an equitable arbitration might judge them likely to bring if leased to a tenant. If rated according to the expense which they might have cost in building, a tax of three or four shillings in the pound, joined with other taxes, would ruin almost all the rich and great families of this, and, I believe, of every other civilised country. Whoever will examine with attention the different town and country houses of some of the richest and greatest families in this country, will find that, at the rate of only six and a half or seven per cent. upon the original expense of building, their house-rent is nearly equal to the whole neat rent of their estates. It is the accumulated expense of several successive generations, laid out upon objects of great beauty and magnificence, indeed, but, in proportion to what they cost, of very small exchangeable value.[1]

Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it, according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground-rents are always to be found. As the wealth of those competitors would in no respect be increased by a tax upon ground-rents, they would not probably be disposed to pay more for the use of the ground. Whether the tax was to be advanced by the inhabitant or by the owner of the ground, would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground so that the final payment of the tax would fall altogether upon the owner of the ground-rent. The ground-rents of uninhabited houses ought to pay no tax.

Both ground-rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry, The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Ground-rents seem, in this respect a more proper subject of peculiar taxation than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign,

but it is, notwithstanding, fundamentally erroneous. The house that an individual lives in may not in all cases be directly productive, but that it is indirectly so is obvious; for how could production be carried on were those engaged in it deprived of the shelter and accommodation afforded by houses? The food which supports the workman is not, in fact, more necessary to his existence than his house; and, if the former be held to be productive, the latter must, it is plain, be so too.

[1] Since the first publication of this book, a tax nearly upon the above-mentioned principles has been imposed. (Note by the author.)

which, by protecting the industry either of the whole people or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than the greater part of other funds towards the support of that government.

Though, in many different countries of Europe, taxes have been imposed upon the rent of houses, I do not know of any in which ground-rents have been considered as a separate subject of taxation. The contrivers of taxes have probably found some difficulty in ascertaining what part of the rent ought to be considered as ground rent, and what part ought to be considered as building rent. It should not, however, seem very difficult to distinguish those two parts of the rent from one another.

In great Britain the rent of houses is supposed to be taxed in the same proportion as the rent of land, by what is called the annual land-tax. The valuation, according to which each different parish and district is assessed to this tax, is always the same. It was originally extremely unequal, and it still continues to be so. Through the greater part of the kingdom this tax falls still more lightly upon the rent of houses than upon that of land. In some few districts only, which were originally rated high, and in which the rents of houses have fallen considerably, the land-tax of three or four shillings in the pound is said to amount to an equal proportion of the real rent of houses. Untenanted houses, though by law subject to the tax, are, in most districts, exempted from it by the favour of the assessors; and this exemption sometimes occasions some little variation in the rate of particular houses, though that of the district is always the same. Improvements of rent, by new buildings, repairs, &c., go to the discharge of the district, which occasions still further variations in the rate of particular houses.

In the province of Holland[1] every house is taxed at two and a half per cent. of its value, without any regard either to the rent which it actually pays or to the circumstance of its being tenanted or untenanted. There seems to be a hardship in obliging the proprietor to pay a tax for an untenanted house from which he can derive no revenue; especially so very heavy a tax. In Holland, where the market rate of interest does not exceed three per cent., two and a half per cent. upon the whole value of the house must in most cases, amount to more than a third of the building rent, perhaps of the whole rent. The valuation, indeed, according to which the houses are rated, though very unequal, is said to be always below the real value. When a house is rebuilt, improved or enlarged, there is a new valuation, and the tax is rated accordingly.

The contrivers of the several taxes which in England have, at different times, been imposed upon houses, seem to have imagined that there was some great difficulty in ascertaining, with tolerable exactness, what was the real rent of every house. They have regulated their taxes, therefore, according to some more obvious circumstance, such as they had probably imagined would, in most cases, bear some proportion to the rent.

The first tax of this kind was hearth-money; or a tax of two shillings upon every hearth. In order to ascertain how many hearths were in the house, it was necessary that the tax-gatherer should enter every room in it. This odious visit rendered the tax odious. Soon after the revolution, therefore, it was abolished as a badge of slavery.

The next tax of this kind was a tax of two shillings upon every dwelling-house inhabited. A house with ten windows to pay four shillings more. A house with twenty windows and upwards to pay eight shillings. This tax was afterwards so far altered, that houses with twenty windows, and with less than thirty, were ordered to pay ten shillings, and those with thirty windows and upwards to pay twenty shillings. The number of windows can, in most cases, be counted from the outside, and, in all cases, without entering every room in the house. The visit of the tax-gatherer, therefore, was less offensive in this tax than in the hearth-money.

This tax was afterwards repealed, and in the room of it was established the window-tax, which has undergone too several alterations and augmentations. The window-tax, as it stands at present (January 1775), over and above the duty of three shillings upon every house in England, and of one shilling upon every house in Scotland, lays a duty upon every window, which in England augments gradually from twopence, the lowest rate, upon houses with not more than seven windows, to two shillings, the highest rate, upon houses with twenty-five windows and upwards.[2]

The principal objection to all such taxes is their inequality; an inequality of the worst kind, as they must frequently fall much hea-

[1] Mémoires concernant les Droits, &c. p. 223.

[2] In 1835 the house duty was repealed, but the conviction having gained ground that it was much less objectionable than the window tax, the latter was repealed in 1851, when also the former was reimposed. It only affects houses worth 20*l.* a year and upwards, being at the rate of 9*d.* per £ on their rent, provided they are not farmhouses, or in part occupied as shops, for, in such cases, the duty is only 6*d.* per £. But it is difficult to discern any good reason why any description of houses should be exempted. The occupiers of 10*l.* houses have been entrusted with the elective franchise, and it is but reasonable that those to whom so valuable a privilege has been given should, at all events, contribute their fair proportion of the tax on that description of property which has been made the test of their ability to exercise the franchise. See farther Treatise on Taxation, 3rd ed., p. 65.

vier upon the poor than upon the rich. A house of ten pounds rent in a country town may sometimes have more windows than a house of five hundred pounds rent in London; and though the inhabitant of the former is likely to be a much poorer man than that of the latter, yet so far as his contribution is regulated by the window-tax, he must contribute more to the support of the state. Such taxes are, therefore, directly contrary to the first of the four maxims above-mentioned. They do not seem to offend much against any of the other three.

The natural tendency of the window-tax, and of all other taxes upon houses, is to lower rents. The more a man pays for the tax, the less, it is evident, he can afford to pay for the rent. Since the imposition of the window-tax, however, the rents of houses have, upon the whole, risen more or less in almost every town and village of Great Britain with which I am acquainted. Such has been almost everywhere the increase of the demand for houses, that it has raised the rents more than the window-tax could sink them,—one of the many proofs of the great prosperity of the country, and of the increasing revenue of its inhabitants. Had it not been for the tax, rents would probably have risen still higher.

ARTICLE II.

Taxes upon Profit, or upon the Revenue arising from Stock.

The revenue or profit arising from stock naturally divides itself into two parts: that which pays the interest, and which belongs to the owner of the stock, and that surplus part which is over and above what is necessary for paying the interest.

This latter part of profit is evidently a subject not taxable directly. It is the compensation, and in most cases it is no more than a very moderate compensation, for the risk and trouble of employing the stock. The employer must have this compensation, otherwise he cannot, consistently with his own interest, continue the employment. If he was taxed directly, therefore, in proportion to the whole profit, he would be obliged either to raise the rate of his profit, or to charge the tax upon the interest of money; that is, to pay less interest. If he raised the rate of his profit in proportion to the tax, the whole tax, though it might be advanced by him, would be finally paid by one or other of two different sets of people, according to the different ways in which he might employ the stock of which he had the management. If he employed it as a farming stock in the cultivation of land, he could raise the rate of his profit only by retaining a greater portion, or, what comes to the same thing, the price of a greater portion of the produce of the land; and as this could be done only by a reduction of rent, the final payment of the tax would fall upon the landlord. If he employed it as a mercantile or manufacturing stock, he could raise the rate of his profit only by raising the price of his goods; in which case the final payment of the tax would fall altogether upon the consumers of those goods. If he did not raise the rate of his profit, he would be obliged to charge the whole tax upon that part of it which was allotted for the interest of money. He could afford less interest for whatever stock he borrowed, and the whole weight of the tax would, in this case, fall ultimately upon the interest of money. So far as he could not relieve himself from the tax in the one way, he would be obliged to relieve himself in the other.

The interest of money seems at first sight a subject equally capable of being taxed directly as the rent of land. Like the rent of land, it is a neat produce which remains after completely compensating the whole risk and trouble of employing the stock. As a tax upon the rent of land cannot raise rents, because the neat produce which remains after replacing the stock of the farmer, together with his reasonable profit, cannot be greater after the tax than before it; so, for the same reason, a tax upon the interest of money could not raise the rate of interest; the quantity of stock or money in the country, like the quantity of land, being supposed to remain the same after the tax as before it. The ordinary rate of profit, it has been shown in the first book, is everywhere regulated by the quantity of stock to be employed in proportion to the quantity of the employment, or of the business which must be done by it. But the quantity of the employment, or of the business to be done by stock, could neither be increased nor diminished by any tax upon the interest of money. If the quantity of the stock to be employed, therefore, was neither increased nor diminished by it, the ordinary rate of profit would necessarily remain the same; but the portion of this profit necessary for compensating the risk and trouble of the employer would likewise remain the same, that risk and trouble being in no respect altered. The residue, therefore, that portion which belongs to the owner of the stock, and which pays the interest of money, would necessarily remain the same too. At first sight, therefore, the interest of money seems to be a subject as fit to be taxed directly as the rent of land.

There are, however, two different circumstances which render the interest of money a much less proper subject of direct taxation than the rent of land.

First, The quantity and value of the land which any man possesses can never be a

secret, and can always be ascertained with great exactness; but the whole amount of the capital stock which he possesses is almost always a secret, and can scarce ever be ascertained with tolerable exactness. It is liable, besides, to almost continual variations. A year seldom passes away, frequently not a month, sometimes scarce a single day, in which it does not rise or fall more or less. An inquisition into every man's private circumstances, and an inquisition which, in order to accommodate the tax to them, watched over all the fluctuations of his fortune, would be a source of such continual and endless vexation as no people could support.

Secondly, Land is a subject which cannot be removed; whereas stock easily may. The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country, where he could either carry on his business or enjoy his fortune more at his ease. By removing his stock, he would put an end to all the industry which it had maintained in the country which he left. Stock cultivates land; stock employs labour. A tax which tended to drive away stock from any particular country would so far tend to dry up every source of revenue, both to the sovereign and to the society. Not only the profits of stock but the rent of land and the wages of labour would necessarily be more or less diminished by its removal.

The nations, accordingly, who have attempted to tax the revenue arising from stock, instead of any severe inquisition of this kind, have been obliged to content themselves with some very loose, and, therefore, more or less arbitrary estimation. The extreme inequality and uncertainty of a tax assessed in this manner can be compensated only by its extreme moderation; in consequence of which, every man finds himself rated so very much below his real revenue that he gives himself little disturbance though his neighbour should be rated somewhat lower.

By what is called the land-tax in England, it was intended that the stock should be taxed in the same proportion as land. When the tax upon land was at four shillings in the pound, or at one-fifth of the supposed rent, it was intended that stock should be taxed at one-fifth of the supposed interest. When the present annual land-tax was first imposed, the legal rate of interest was six per cent. Every hundred pounds stock, accordingly, was supposed to be taxed at twenty-four shillings, the fifth part of six pounds. Since the legal rate of interest has been reduced to five per cent., every hundred pounds stock is supposed to be taxed at twenty shillings only. The sum to be raised, by what is called the land-tax, was divided between the country and the principal towns. The greater part of it was laid upon the country; and of what was laid upon the towns, the greater part was assessed upon the houses. What remained to be assessed upon the stock or trade of the towns (for the stock upon the land was not meant to be taxed) was very much below the real value of that stock or trade. Whatever inequalities, therefore, there might be in the original assessment gave little disturbance. Every parish and district still continues to be rated for its land, its houses, and its stock, according to the original assessment; and the almost universal prosperity of the country, which in most places has raised very much the value of all these, has rendered those inequalities of still less importance now. The rate too upon each district continuing always the same, the uncertainty of this tax, so far as it might be assessed upon the stock of any individual, has been very much diminished, as well as rendered of much less consequence. If the greater part of the lands of England are not rated to the land-tax at half their actual value, the greater part of the stock of England is, perhaps, scarce rated at the fiftieth part of its actual value. In some towns the whole land-tax is assessed upon houses; as in Westminster, where stock and trade are free. It is otherwise in London.

In all countries a severe inquisition into the circumstances of private persons has been carefully avoided.

At Hamburgh[1], every inhabitant is obliged to pay to the state one-fourth per cent. of all that he possesses; and as the wealth of the people of Hamburgh consists principally in stock, this tax may be considered as a tax upon stock. Every man assesses himself, and, in the presence of the magistrate, puts annually into the public coffer a certain sum of money, which he declares upon oath to be one-fourth per cent. of all that he possesses, but without declaring what it amounts to, or being liable to any examination upon that subject. This tax is generally supposed to be paid with great fidelity. In a small republic, where the people have entire confidence in their magistrates, are convinced of the necessity of the tax for the support of the state, and believe that it will be faithfully applied to that purpose, such conscientious and voluntary payment may sometimes be expected. It is not peculiar to the people of Hamburgh.

The canton of Underwald in Switzerland is frequently ravaged by storms and inundations,

[1] Memoires concernant les Droits, tome i. p. 74.

and is thereby exposed to extraordinary expenses. Upon such occasions the people assemble, and every one is said to declare with the greatest frankness what he is worth, in order to be taxed accordingly. At Zurich the law orders, that, in cases of necessity, every one should be taxed in proportion to his revenue; the amount of which he is obliged to declare upon oath. They have no suspicion, it is said, that any of their fellow citizens will deceive them. At Basil the principal revenue of the state arises from a small custom upon goods exported. All the citizens make oath that they will pay every three months all the taxes imposed by the law. All merchants, and even all innkeepers, are trusted with keeping themselves the account of the goods which they sell either within or without the territory. At the end of every three months they send this account to the treasurer, with the amount of the tax computed at the bottom of it. It is not suspected that the revenue suffers by this confidence.[1]

To oblige every citizen to declare publicly upon oath the amount of his fortune must not, it seems, in those Swiss cantons, be reckoned a hardship; at Hamburgh it would be reckoned the greatest. Merchants engaged in the hazardous projects of trade all tremble at the thoughts of being obliged at all times to expose the real state of their circumstances. The ruin of their credit, and the miscarriage of their projects, they foresee, would too often be the consequence. A sober and parsimonious people, who are strangers to all such projects, do not feel that they have occasion for any such concealment.

In Holland, soon after the exaltation of the late prince of Orange to the stadtholdership, a tax of two per cent. or the fiftieth penny, as it was called, was imposed upon the whole substance of every citizen. Every citizen assessed himself and paid his tax in the same manner as at Hamburgh; and it was in general supposed to have been paid with great fidelity. The people had at that time the greatest affection for their new government, which they had just established by a general insurrection. The tax was to be paid but once, in order to relieve the state in a particular exigency: it was, indeed, too heavy to be permanent. In a country where the market rate of interest seldom exceeds three per cent., a tax of two per cent. amounts to thirteen shillings and fourpence in the pound upon the highest neat revenue which is commonly drawn from stock. It is a tax which very few people could pay without encroaching more or less upon their capitals. In a particular exigency the people may, from great public zeal, make a great effort, and give up even a part of their capital, in order to relieve the state; but it is impossible that they should continue to do so for any considerable time: and if they did, the tax would soon ruin them so completely as to render them altogether incapable of supporting the state.

The tax upon stock, imposed by the land-tax bill in England, though it is proportioned to the capital, is not intended to diminish or to take away any part of that capital. It is meant only to be a tax upon the interest of money, proportioned to that upon the rent of land; so that when the latter is at four shillings in the pound, the former may be at four shillings in the pound too. The tax at Hamburgh, and the still more moderate taxes of Underwald and Zurich, are meant, in the same manner, to be taxes, not upon the capital, but upon the interest or neat revenue of stock: that of Holland was meant to be a tax upon the capital.

Taxes upon the Profits of particular Employments.

In some countries extraordinary taxes are imposed upon the profits of stock; sometimes when employed in particular branches of trade, and sometimes when employed in agriculture.

Of the former kind are in England the tax upon hawkers and pedlars, that upon hackney coaches and chairs, and that which the keepers of alehouses pay for a licence to retail ale and spirituous liquors. During the late war, another tax of the same kind was proposed upon shops. The war having been undertaken, it was said, in defence of the trade of the country, the merchants, who were to profit by it, ought to contribute towards the support of it.

A tax, however, upon the profits of stock employed in any particular branch of trade can never fall finally upon the dealers, (who must in all ordinary cases have their reasonable profit, and, where the competition is free, can seldom have more than that profit,) but always upon the consumers, who must be obliged to pay in the price of the goods the tax which the dealer advances, and generally with some overcharge.

A tax of this kind, when it is proportioned to the trade of the dealer, is finally paid by the consumer, and occasions no oppression to the dealer. When it is not so proportioned, but is the same upon all dealers, though in this case too it is finally paid by the consumer, yet it favours the great, and occasions some oppression to the small dealer. The tax of five shillings a week upon every hackney coach, and that of ten shillings a year upon every hackney chair, so far as it is advanced by the different keepers of such coaches and chairs, is exactly enough proportioned to the extent of their respective dealings. It

[1] Mémoires concernant les Droits, tome i. p. 163. 166. 171.

neither favours the great, nor oppresses the smaller dealer. The tax of twenty shillings a year for a licence to sell ale, of forty shillings for a licence to sell spirituous liquors, and of forty shillings more for a licence to sell wine, being the same upon all retailers, must necessarily give some advantage to the great, and occasion some oppression to the small dealers. The former must find it more easy to get back the tax in the price of their goods than the latter. The moderation of the tax, however, renders this inequality of less importance; and it may to many people appear not improper to give some discouragement to the multiplication of little alehouses. The tax upon shops, it was intended, should be the same upon all shops. It could not well have been otherwise. It would have been impossible to proportion with tolerable exactness the tax upon a shop to the extent of the trade carried on in it, without such an inquisition as would have been altogether insupportable in a free country. If the tax had been inconsiderable, it would have oppressed the small, and forced almost the whole retail trade into the hands of the great dealers. The competition of the former being taken away, the latter would have enjoyed a monopoly of the trade; and, like all other monopolists, would soon have combined to raise their profits much beyond what was necessary for the payment of the tax. The final payment, instead of falling upon the shopkeeper, would have fallen upon the consumer, with a considerable overcharge to the profit of the shopkeeper. For these reasons, the project of a tax upon shops was laid aside, and in the room of it was substituted the subsidy 1759.[1]

What in France is called the personal taille, is perhaps the most important tax upon the profits of stock employed in agriculture that is levied in any part of Europe.

In the disorderly state of Europe during the prevalence of the feudal government, the sovereign was obliged to content himself with taxing those who were too weak to refuse to pay taxes. The great lords, though willing to assist him upon particular emergencies, refused to subject themselves to any constant tax, and he was not strong enough to force them. The occupiers of land all over Europe were, the greater part of them, originally bondmen. Through the greater part of Europe they were gradually emancipated. Some of them acquired the property of landed estates which they held by some base or ignoble tenure, sometimes under the king, and sometimes under some other great lord, like the ancient copyholders of England. Others, without acquiring the property, obtained leases for terms of years, of the lands which they occupied under their lord, and thus became less dependent upon him. The great lords seem to have beheld the degree of prosperity and independency which this inferior order of men had thus come to enjoy, with a malignant and contemptuous indignation, and willingly consented that the sovereign should tax them. In some countries this tax was confined to the lands which were held in property by an ignoble tenure; and in this case the taille was said to be real. The land-tax established by the late king of Sardinia, and the taille in the provinces of Languedoc, Provence, Dauphiné, and Brittany, — in the generality of Montauban, and in the elections of Agen and Condom, as well as in some other districts of France, are taxes upon lands held in property by an ignoble tenure. In other countries the tax was laid upon the supposed profits of all those who held, in farm or lease, lands belonging to other people, whatever might be the tenure by which the proprietor held them; and in this case the taille was said to be personal. In the greater part of those provinces of France, which are called the countries of elections, the taille is of this kind. The real taille, as it is imposed only upon a part of the lands of the country, is necessarily an unequal, but it is not always an arbitrary tax, though it is so upon some occasions. The personal taille, as it is intended to be proportioned to the profits of a certain class of people, which can only be guessed at, is necessarily both arbitrary and unequal.

In France the personal taille at present (1775) annually imposed upon the twenty generalities, called the countries of elections, amounts to 40,107,239 livres, 16 sous.[2] The proportion in which the sum is assessed upon those different provinces, varies from year to year, according to the reports which are made to the king's council concerning the goodness or badness of the crops, as well as other circumstances, which may either increase or diminish their respective abilities to pay. Each generality is divided into a certain number of elections; and the proportion in which the sum imposed upon the whole generality is divided among those different elections varies likewise from year to year, according to the reports made to the council concerning their respective abilities. It seems impossible that the council, with the best intentions, can ever proportion, with tolerable exactness, either of those two assessments to the real abilities of the province or district upon which they are respectively laid. Ignorance and mis-

[1] An equal tax laid on the profits of the capital vested in every different employment, would fall wholly on the capitalists, and would neither affect the prices of commodities nor the distribution of capital. See supplemental note on Taxes and Profits.

[2] Mémoires concernant les Droits, &c. tome ii p. 17.

information must always, more or less, mislead the most upright council. The proportion which each parish ought to support of what is assessed upon the whole election, and that which each individual ought to support of what is assessed upon his particular parish, are both in the same manner varied, from year to year, according as circumstances are supposed to require. These circumstances are judged of, in the one case, by the officers of the election, in the other by those of the parish; and both the one and the other are, more or less, under the direction and influence of the intendant. Not only ignorance and misinformation, but friendship, party animosity, and private resentment, are said frequently to mislead such assessors. No man subject to such a tax, it is evident, can ever be certain, before he is assessed, of what he is to pay. He cannot even be certain after he is assessed. If any person has been taxed who ought to have been exempted, or if any person has been taxed beyond his proportion, though both must pay in the mean time, yet if they complain, and make good their complaints, the whole parish is reimposed next year, in order to reimburse them. If any of the contributors become bankrupt or insolvent, the collector is obliged to advance his tax; and the whole parish is reimposed next year, in order to reimburse the collector. If the collector himself should become bankrupt, the parish which elects him must answer for his conduct to the receiver-general of the election. But, as it might be troublesome for the receiver to prosecute the whole parish, he takes at his choice five or six of the richest contributors, and obliges them to make good what had been lost by the insolvency of the collector. The parish is afterwards reimposed, in order to reimburse those five or six. Such reimpositions are always over and above the taille of the particular year in which they are laid on.[1]

When a tax is imposed upon the profits of stock in a particular branch of trade, the traders are all careful to bring no more goods to market than what they can sell at a price sufficient to reimburse them from advancing the tax. Some of them withdraw a part of their stocks from the trade, and the market is more sparingly supplied than before. The price of the goods rises, and the final payment of the tax falls upon the consumer. But when a tax is imposed upon the profits of stock employed in agriculture, it is not the interest of the farmers to withdraw any part of their stock from that employment. Each farmer occupies a certain quantity of land, for which he pays rent. For the proper cultivation of this land, a certain quantity of stock is necessary; and by withdrawing any part of this necessary quantity, the farmer is not likely to be more able to pay either the rent or the tax. In order to pay the tax, it can never be his interest to diminish the quantity of his produce, nor consequently to supply the market more sparingly than before. The tax, therefore, will never enable him to raise the price of his produce, so as to reimburse himself by throwing the final payment upon the consumer. The farmer, however, must have his reasonable profit as well as every other dealer, otherwise he must give up the trade. After the imposition of a tax of this kind, he can get this reasonable profit only by paying less rent to the landlord. The more he is obliged to pay in the way of tax, the less he can afford to pay in the way of rent. A tax of this kind, imposed during the currency of a lease, may, no doubt, distress or ruin the farmer. Upon the renewal of the lease, it must always fall upon the landlord.[2]

In the countries where the personal taille takes place, the farmer is commonly assessed in proportion to the stock which he appears to employ in cultivation. He is, upon this account, frequently afraid to have a good team of horses or oxen, but endeavours to cultivate with the meanest and most wretched instruments of husbandry that he can. Such is his distrust in the justice of his assessors, that he counterfeits poverty, and wishes to appear scarce able to pay any thing, for fear of being obliged to pay too much. By this miserable policy, he does not, perhaps, always consult his own interest in the most effectual manner; and he probably loses more by the diminution of his produce than he saves by that of his tax. Though, in consequence of this wretched cultivation, the market is, no doubt, somewhat worse supplied, yet the small rise of price which this may occasion, as it is not likely even to indemnify the farmer for the diminution of his produce, it is still less likely to enable him to pay more rent to the landlord. The public, the farmer, the landlord, all suffer more or less by this degraded cultivation. That the personal taille tends, in many different ways, to discourage cultivation, and consequently to dry up the principal source of the wealth of every great country, I have already had occasion to observe in the third book of this Inquiry.

What are called poll-taxes in the southern provinces of North America, and in the West

[1] The taille was abolished at the Revolution. For an account of the present French land tax, or *Contribution Fonciere*, see supplemental note on Taxes on Profits.

[2] This statement is fallacious. A large portion of the produce brought to market in every extensive country pays no rent; and it is, consequently, impossible that its producers should be indemnified for a tax on profits by making a deduction from rent. For some remarks on this subject, see reference in the preceding note.

Indian islands, annual taxes of so much a head upon every negro, are properly taxes upon the profits of a certain species of stock employed in agriculture. As the planters are, the greater part of them, both farmers and landlords, the final payment of the tax falls upon them in their quality of landlords without any retribution.

Taxes of so much a head upon the bondmen employed in cultivation, seem anciently to have been common all over Europe. There subsists at present a tax of this kind in the empire of Russia. It is probably upon this account that poll-taxes of all kinds have often been represented as badges of slavery. Every tax however is, to the person who pays it, a badge, not of slavery, but of liberty. It denotes that he is subject to government, indeed, but that, as he has some property, he cannot himself be the property of a master. A poll-tax upon slaves is altogether different from a poll-tax upon freemen: the latter is paid by the persons upon whom it is imposed, the former by a different set of persons. The latter is either altogether arbitrary or altogether unequal, and, in most cases, is both the one and the other; the former, though in some respects unequal, different slaves being of different values, is in no respect arbitrary. Every master who knows the number of his own slaves, knows exactly what he has to pay. Those different taxes, however, being called by the same name, have been considered as of the same nature.

The taxes which in Holland are imposed upon men and maid servants are taxes, not upon stock, but upon expense, and so far resemble the taxes upon consumable commodities. The tax of a guinea a head for every man servant, which has lately been imposed in Great Britain, is of the same kind. It falls heaviest upon the middling rank. A man of two hundred a year may keep a single man servant. A man of ten thousand a year will not keep fifty. It does not affect the poor.

Taxes upon the profits of stock in particular employments can never affect the interest of money. Nobody will lend his money for less interest to those who exercise the taxed than to those who exercise the untaxed employments. Taxes upon the revenue arising from stock in all employments, where the government attempts to levy them with any degree of exactness, will, in many cases, fall upon the interest of money. The vingtieme, or twentieth penny, in France, is a tax of the same kind with what is called the land-tax in England, and is assessed, in the same manner, upon the revenue arising from land, houses, and stock. So far as it affects stock, it is assessed, though not with great rigour, yet with much more exactness than that part of the land-tax of England which is imposed upon the same fund. It in many cases falls altogether upon the interest of money. Money is frequently sunk in France upon what are called contracts for the constitution of a rent; that is, perpetual annuities redeemable at any time by the debtor upon repayment of the sum originally advanced, but of which this redemption is not exigible by the creditor, except in particular cases. The vingtieme seems not to have raised the rate of those annuities, though it is exactly levied upon them all.

APPENDIX TO ARTICLES I. AND II.

Taxes upon the Capital Value of Land, Houses, and Stock.

While property remains in the possession of the same person, whatever permanent taxes may have been imposed upon it, they have never been intended to diminish or take away any part of its capital value, but only some part of the revenue arising from it. But when property changes hands, when it is transmitted either from the dead to the living, or from the living to the living, such taxes have frequently been imposed upon it as necessarily take away some part of its capital value.

The transference of all sorts of property from the dead to the living, and that of immoveable property, of land and houses, from the living to the living, are transactions which are in their nature either public and notorious, or such as cannot be long concealed. Such transactions, therefore, may be taxed directly. The transference of stock, or moveable property, from the living to the living, by the lending of money, is frequently a secret transaction, and may always be made so. It cannot easily, therefore, be taken directly. It has been taxed indirectly in two different ways: first, by requiring that the deed, containing the obligation to repay should be written upon paper or parchment which had paid a certain stamp-duty, otherwise not to be valid; secondly, by requiring, under the like penalty of invalidity, that it should be recorded either in a public or secret register, and by imposing certain duties upon such registration. Stamp-duties, and duties of registration, have frequently been imposed likewise upon the deeds transferring property of all kinds from the dead to the living, and upon those transferring immoveable property from the living to the living, — transactions which might easily have been taxed directly.

The *vicesima* hereditatum, the twentieth penny of inheritances, imposed by Augustus upon the ancient Romans, was a tax upon

the transference of property from the dead to the living. Dion Cassius,[1] the author who writes concerning it the least indistinctly, says that it was imposed upon all successions, legacies, and donations, in case of death, except upon those to the nearest relations, and to the poor.

Of the same kind is the Dutch tax upon successions.[2] Collateral successions are taxed, according to the degree of relation, from five to thirty per cent. upon the whole value of the succession. Testamentary donations, or legacies to collaterals, are subject to the like duties. Those from husband to wife, or from wife to husband, to the fiftieth penny. The luctuosa hereditas, the mournful succession of ascendants to descendants, to the twentieth penny only. Direct successions, or those of descendants to ascendants, pay no tax. The death of a father, to such of his children as live in the same house with him, is seldom attended with any increase, and frequently with a considerable diminution of revenue; by the loss of his industry, of his office, or of some life-rent estate, of which he may have been in possession. That tax would be cruel and oppressive which aggravated their loss by taking from them any part of his succession. It may, however, sometimes be otherwise with those children who, in the language of the Roman law, are said to be emancipated; in that of the Scotch law, to be forisfamiliated; that is, who have received their portion, have got families of their own, and are supported by funds separate and independent of those of their father. Whatever part of his succession might come to such children would be a real addition to their fortune, and might therefore, perhaps, without more inconveniency than what attends all duties of this kind, be liable to some tax.

The casualties of the feudal law were taxes upon the transference of land, both from the dead to the living, and from the living to the living. In ancient times they constituted, in every part of Europe, one of the principal branches of the revenue of the crown.

The heir of every immediate vassal of the crown paid a certain duty, generally a year's rent, upon receiving the investiture of the estate. If the heir was a minor, the whole rents of the estate, during the continuance of the minority, devolved to the superior without any other charge, besides the maintenance of the minor, and the payment of the widow's dower, when there happened to be a dowager upon the land. When the minor came to be of age, another tax, called relief, was still due to the superior, which generally amounted likewise to a year's rent. A long minority, which in the present times so frequently disburdens a great estate of all its incumbrances, and restores the family to their ancient splendour, could in those times have no such effect. The waste, and not the disencumbrance of the estate, was the common effect of a long minority.

By the feudal law the vassal could not alienate without the consent of his superior, who generally extorted a fine or composition for granting it. This fine, which was at first arbitrary, came in many countries to be regulated at a certain portion of the price of the land. In some countries, where the greater part of the other feudal customs have gone into disuse, this tax upon the alienation of land still continues to make a very considerable branch of the revenue of the sovereign. In the canton of Berne it is so high as a sixth part of the price of all noble fiefs; and a tenth part of that of all ignoble ones.[3] In the canton of Lucerne the tax upon the sale of lands is not universal, and takes place only in certain districts; but if any person sells his land in order to remove out of the territory, he pays ten per cent. upon the whole price of the sale.[4] Taxes of the same kind upon the sale either of all lands, or of lands held by certain tenures, take place in many other countries, and make a more or less considerable branch of the revenue of the sovereign.

Such transactions may be taxed indirectly, by means either of stamp-duties or of duties upon registration; and those duties either may or may not be proportioned to the value of the subject which is transferred.

In Great Britain the stamp-duties are higher or lower, not so much according to the value of the property transferred (an eighteen-penny or half-crown stamp being sufficient upon a bond for the largest sum of money) as according to the nature of the deed.[5] The highest do not exceed six

	s.	d.
Above £100 and not exceeding £150	3	9
„ 150 „ 200	5	0
„ 200 „ 250	6	3
„ 250 „ 300	7	6

And where the same shall exceed £300, then for every £100, and also for any fractional part of £100 - - - - 2 6

Stamps on conveyances also vary with variations in the value conveyed.

[1] Lib. lv. See also Burman de Vectigalibus Pop. Rom. cap. xi., and Bouchaud de l'Impôt du Vingtième sur les Successions. (Note by the author.)

[2, 4] See Mémoires concernant les Droits, &c., tome i., p. 225; p. 154; p. 157.

[5] At present (1863) the case is different. Bonds given as a security for the payment of any definite sum of money cost—

	s.	d.
Not exceeding £50	1	3
Above £50 and not exceeding 100	2	6

pounds upon every sheet of paper, or skin of parchment; and these high duties fall chiefly upon grants from the crown, and upon certain law proceedings, without any regard to the value of the subject. There are in Great Britain no duties on the registration of deeds or writings, except the fees of the officers who keep the register; and these are seldom more than a reasonable recompense for their labour. The crown derives no revenue from them.

In Holland[1], there are both stamp-duties and duties upon registration; which in some cases are, and in some are not, proportioned to the value of the property transferred. All testaments must be written upon stamped paper of which the price is proportioned to the property disposed of; so that there are stamps which cost from threepence, or three stivers a sheet, to three hundred florins, equal to about twenty-seven pounds ten shillings of our money. If the stamp is of an inferior price to what the testator ought to have made use of, his succession is confiscated. This is over and above all their other taxes on succession. Except bills of exchange, and some other mercantile bills, all other deeds, bonds, and contracts, are subject to a stamp-duty. This duty, however, does not rise in proportion to the value of the subject. All sales of land and of houses, and all mortgages upon either, must be registered, and, upon registration, pay a duty to the state of two and a half per cent. upon the amount of the price or of the mortgage. This duty is extended to the sale of all ships and vessels of more than two tons burthen, whether decked or undecked. These, it seems, are considered as a sort of houses upon the water. The sale of moveables, when it is ordered by a court of justice, is subject to the like duty of two and a half per cent.

In France there are both stamp-duties and duties upon registration. The former are considered as a branch of the aides or excise, and in the provinces where those duties take place, are levied by the excise officers. The latter are considered as a branch of the domain of the crown, and are levied by a different set of officers.

Those modes of taxation, by stamp-duties and by duties upon registration, are of very modern invention. In the course of little more than a century, however, stamp-duties have, in Europe, become almost universal, and duties upon registration extremely common. There is no art which one government sooner learns of another than that of draining money from the pockets of the people.[2]

Taxes upon the transference of property from the dead to the living fall finally, as well as immediately, upon the person to whom the property is transferred. Taxes upon the sale of land fall altogether upon the seller. The seller is almost always under the necessity of selling, and must therefore take such a price as he can get; the buyer is scarce ever under the necessity of buying, and will therefore only give such a price as he likes. He considers what the land will cost him in tax and price together: the more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must therefore be frequently very cruel and oppressive. Taxes upon the sale of new-built houses, where the building is sold without the ground fall generally upon the buyer, because the builder must generally have his profit; otherwise he must give up the trade. If he advances the tax, therefore, the buyer must generally repay it to him. Taxes upon the sale of old houses, for the same reason as those upon the sale of land, fall generally upon the seller, whom, in most cases, either convenience or necessity obliges to sell. The number of new-built houses that are annually brought to market, is more or less regulated by the demand. Unless the demand is such as to afford the builder his profit, after paying all expenses, he will build no more houses. The number of old houses which happen at any time to come to market, is regulated by accidents of which the greater part have no relation to the demand. Two or three great bankruptcies in a mercantile town will bring many houses to sale, which must be sold for what can be got for them. Taxes upon the sale of ground-rents fall altogether upon the seller, for the same reason as those upon the sale of land. Stamp-duties, and duties upon the registration of bonds and contracts for borrowed money, fall altogether upon the borrower, and in fact are always paid by him. Duties of the same kind upon law proceedings fall upon the suitors. They reduce to both the capital value of the subject in dispute. The more it costs to acquire any property, the less must be the neat value of it when acquired.

All taxes upon the transference of property of every kind, so far as they diminish the capital value of that property, tend to

[1] Mémoires concernant les Droits, &c. tome i. p. 223, 224, 225.

[2] Stamp-duties were first levied in Holland. Most of the accustomed methods of taxation having been resorted to, the republic, in order to provide funds for carrying on her contest with the Spanish monarchy, adopted the novel device of offering a considerable reward to any one who should devise the best new tax! Among many others, that of the *vectigal chartæ*, or stamp-duty, was suggested; and, having been approved of, it was introduced by an Ordinance in 1624, setting forth its necessity, and the advantages which it was supposed would result from its imposition. See Beckman's *History of Inventions*, vol. i. p. 379. Eng. trans

diminish the funds destined for the maintenance of productive labour. They are all more or less unthrifty taxes that increase the revenue of the sovereign, which seldom maintains any but unproductive labourers, at the expense of the capital of the people, which maintains none but productive.[1]

Such taxes, even when they are proportioned to the value of the property transferred, are still unequal; the frequency of transference not being always equal in property of equal value. When they are not proportioned to this value, which is the case with the greater part of the stamp-duties, and duties of registration, they are still more so. They are in no respect arbitrary, but are or may be in all cases perfectly clear and certain. Though they sometimes fall upon the person who is not very able to pay, the time of payment is in most cases sufficiently convenient for him. When the payment becomes due, he must, in most cases, have the money to pay. They are levied at very little expense, and in general subject the contributors to no other inconveniency besides always the unavoidable one of paying the tax.

In France the stamp-duties are not much complained of; those of registration, which they call the contrôle, are. They give occasion, it is pretended, to much extortion in the officers of the farmers general who collect the tax, which is in a great measure arbitrary and uncertain. In the greater part of the libels which have been written against the present system of finances in France, the abuses of the contrôle make a principal article. Uncertainty, however, does not seem to be necessarily inherent in the nature of such taxes. If the popular complaints are well founded, the abuse must arise not so much from the nature of the tax as from the want of precision and distinctness in the words of the edicts or laws which impose it.

The registration of mortgages, and in general of all rights upon immoveable property, as it gives great security both to creditors and purchasers, is extremely advantageous to the public. That of the greater part of deeds of other kinds is frequently inconvenient and even dangerous to individuals, without any advantage to the public. All registers which, it is acknowledged, ought to be kept secret, ought certainly never to exist. The credit of individuals ought certainly never to depend upon so very slender a security as the probity and religion of the inferior officers of revenue. But where the fees of registration have been made a source of revenue to the sovereign, register offices have commonly been multiplied without end, both for the deeds which ought to be registered, and for those which ought not. In France there are several different sorts of secret registers. This abuse, though not perhaps a necessary, it must be acknowledged is a very natural, effect of such taxes.

Such stamp-duties as those in England upon cards and dice, upon newspapers and periodical pamphlets, &c. are properly taxes upon consumption; the final payment falls upon the persons who use or consume such commodities. Such stamp-duties as those upon licenses to retail ale, wine, and spirituous liquors, though intended perhaps to fall upon the profits of the retailers, are likewise finally paid by the consumers of those liquors. Such taxes, though called by the same name, and levied by the same officers and in the same manner with the stamp-duties above mentioned upon the transference of property, are however of a quite different nature, and fall upon quite different funds.

[1] See p. 146, note.

ARTICLE III.

Taxes upon the Wages of Labour.

The wages of the inferior classes of workmen, I have endeavoured to show in the first book, are everywhere necessarily regulated by two different circumstances: the demand for labour, and the ordinary or average price of provisions. The demand for labour, according as it happens to be either increasing, stationary, or declining, or to require an increasing, stationary, or declining population, regulates the subsistence of the labourer, and determines in what degree it shall be, either liberal, moderate, or scanty. The ordinary or average price of provisions determines the quantity of money which must be paid to the workman in order to enable him, one year with another, to purchase this liberal, moderate, or scanty subsistence. While the demand for labour and the price of provisions, therefore, remain the same, a direct tax upon the wages of labour can have no other effect than to raise them somewhat higher than the tax. Let us suppose, for example, that in a particular place the demand for labour and the price of provisions were such as to render ten shillings a week the ordinary wages of labour; and that a tax of one-fifth, or four shillings in the pound, was imposed upon wages. If the demand for labour and the price of provisions remained the same, it would still be necessary that the labourer should in that place earn such a subsistence as could be bought only for ten shillings a week, or that after paying the tax he should have ten shillings a week free wages. But in order to leave him such free wages after paying such a tax, the price of labour must in that place soon rise, not to twelve shillings a week only, but to twelve and six

pence; that is, in order to enable him to pay a tax of one-fifth, his wages must necessarily soon rise, not one-fifth part only, but one-fourth. Whatever was the proportion of the tax, the wages of labour must in all cases rise, not only in that proportion, but in a higher proportion. If the tax, for example, was one-tenth, the wages of labour must necessarily soon rise, not one-tenth part only, but one-eighth.

A direct tax upon the wages of labour, therefore, though the labourer might perhaps pay it out of his hand, could not properly be said to be even advanced by him; at least if the demand for labour and the average price of provisions remained the same after the tax as before it. In all such cases, not only the tax, but something more than the tax, would in reality be advanced by the person who immediately employed him. The final payment would, in different cases, fall upon different persons. The rise which such a tax might occasion in the wages of manufacturing labour would be advanced by the master manufacturer, who would both be entitled and obliged to charge it, with a profit, on the price of his goods. The final payment of this rise of wages, therefore, together with the additional profit of the master manufacturer, would fall upon the consumer. The rise which such a tax might occasion in the wages of country labour would be advanced by the farmer, who, in order to maintain the same number of labourers as before, would be obliged to employ a greater capital. In order to get back this greater capital, together with the ordinary profits of stock, it would be necessary that he should retain a larger portion, or, what comes to the same thing, the price of a larger portion, of the produce of the land, and consequently that he should pay less rent to the landlord. The final payment of this rise of wages, therefore, would in this case fall upon the landlord, together with the additional profit of the farmer who had advanced it. In all cases a direct tax upon the wages of labour, must, in the long run, occasion both a greater reduction in the rent of land, and a greater rise in the price of manufactured goods, than would have followed from the proper assessment of a sum equal to the produce of the tax, partly upon the rent of land, and partly upon consumable commodities.[1]

If direct taxes upon the wages of labour have not always occasioned a proportional rise in those wages, it is because they have generally occasioned a considerable fall in the demand for labour. The declension of industry, the decrease of employment for the poor, the diminution of the annual produce of the land and labour of the country, have generally been the effects of such taxes. In consequence of them, however, the price of labour must always be higher than it otherwise would have been in the actual state of the demand: and this enhancement of price, together with the profit of those who advance it, must always be finally paid by the landlords and consumers.

A tax upon the wages of country labour does not raise the price of the rude produce of the land in proportion to the tax; for the same reason that a tax upon the farmer's profit does not raise that price in that proportion.

Absurd and destructive as such taxes are, however, they take place in many countries. In France, that part of the taille which is charged upon the industry of workmen and day-labourers in country villages, is properly a tax of this kind. Their wages are computed according to the common rate of the district in which they reside; and that they may be as little liable as possible to any overcharge, their yearly gains are estimated at no more than two hundred working days in the year.[2] The tax of each individual is varied from year to year according to different circumstances, of which the collector or the commissary, whom the intendant appoints to assist him, are the judges. In Bohemia, in consequence of the alteration in the system of finances which was begun in 1748, a very heavy tax is imposed upon the industry of artificers. They are divided into four classes. The highest class pay a hundred florins a year; which, at two and twenty pence halfpenny a florin, amounts to 9*l.* 7*s.* 6*d.* The second class are taxed at seventy; the third at fifty; and the fourth, comprehending artificers in villages, and the lowest class of those in towns, at twenty-five florins.[3]

The recompense of ingenious artists and of men of liberal professions, I have endeavoured to show in the first book, necessarily keeps a certain proportion to the emoluments of inferior trades. A tax upon this recompence, therefore, could have no other effect than to raise it somewhat higher than in proportion to the tax. If it did not rise in this manner, the ingenious arts and the liberal professions, being no longer upon a level with other trades, would be so much deserted that they would soon return to that level.

The emoluments of offices are not, like those of trades and professions, regulated by the free competition of the market, and do not, therefore, always bear a just proportion

[1] The statements in this article as to the effect of taxes on the wages of labour require much modification. It is only under certain circumstances that such taxes occasion a rise of wages; and in these cases the rise falls wholly on the employers, who are not indemnified for it by a rise of prices. See supplemental note on this subject.

[2] Memoires concernant les Droits, &c. tome ii. p. 108.

[3] Ibid. tome iii. p. 87.

to what the nature of the employment requires. They are, perhaps, in most countries, higher than it requires; the persons who have the administration of government being generally disposed to reward both themselves and their immediate dependants rather more than enough. The emoluments of offices, therefore, can in most cases very well bear to be taxed. The persons, besides, who enjoy public offices, especially the more lucrative, are in all countries the objects of general envy, and a tax upon their emoluments, even though it should be somewhat higher than upon any other sort of revenue, is always a very popular tax. In England, for example, when by the land-tax every sort of revenue was supposed to be assessed at four shillings in the pound, it was very popular to lay a real tax of five shillings and sixpence in the pound upon the salaries of offices which exceeded a hundred pounds a year; the pensions of the younger branches of the royal family, the pay of the officers of the army and navy, and a few others less obnoxious to envy, excepted. There are in England no other direct taxes upon the wages of labour.

ARTICLE IV.

Taxes which it is intended should fall indifferently upon every different Species of Revenue.

The taxes which it is intended should fall indifferently upon every different species of revenue are capitation taxes, and taxes upon consumable commodities. These must be paid indifferently from whatever revenue the contributors may possess; from the rent of their land, from the profits of their stock, or from the wages of their labour.

Capitation Taxes.

Capitation taxes, if it is attempted to proportion them to the fortune or revenue of each contributor, become altogether arbitrary. The state of a man's fortune varies from day to day, and without an inquisition more intolerable than any tax, and renewed at least once every year, can only be guessed at. His assessment, therefore, must in most cases depend upon the good or bad humour of his assessors, and must therefore be altogether arbitrary and uncertain.

Capitation taxes, if they are proportioned, not to the supposed fortune, but to the rank of each contributor, become altogether unequal; the degrees of fortune being frequently unequal in the same degree of rank.

Such taxes, therefore, if it is attempted to render them equal, become altogether arbitrary and uncertain; and if it is attempted to render them certain and not arbitrary, become altogether unequal. Let the tax be light or heavy, uncertainty is always a great grievance. In a light tax, a considerable degree of inequality may be supported; in a heavy one it is altogether intolerable.

In the different poll-taxes which took place in England during the reign of William III., the contributors were, the greater part of them, assessed according to the degree of their rank; as dukes, marquesses, earls, viscounts, barons, esquires, gentlemen, the eldest and youngest sons of peers, &c. All shopkeepers and tradesmen worth more than three hundred pounds, that is, the better sort of them, were subject to the same assessment, how great soever might be the difference in their fortune. Their rank was more considered than their fortune. Several of those who in the first poll-tax were rated according to their supposed fortune, were afterwards rated according to their rank. Serjeants, attorneys, and proctors at law, who in the first poll-tax were assessed at three shillings in the pound of their supposed income, were afterwards assessed as gentlemen. In the assessment of a tax which was not very heavy, a considerable degree of inequality had been found less insupportable than any degree of uncertainty.

In the capitation which has been levied in France without any interruption since the beginning of the present century, the highest orders of people are rated according to their rank, by an invariable tariff; the lower orders of people, according to what is supposed to be their fortune, by an assessment which varies from year to year. The officers of the king's court, the judges and other officers in the superior courts of justice, the officers of the troops, &c, are assessed in the first manner. The inferior ranks of people in the provinces are assessed in the second. In France, the great easily submit to a considerable degree of inequality in a tax which, so far as it affects them, is not a very heavy one; but could not brook the arbitrary assessment of an intendant. The inferior ranks of people must, in that country, suffer patiently the usage which their superiors think proper to give them.

In England, the different poll-taxes never produced the sum which had been expected from them, or which it was supposed they might have produced had they been exactly levied. In France the capitation always produces the sum expected from it. The mild government of England, when it assessed the different ranks of people to the poll-tax, contented itself with what that assessment happened to produce; and required no compensation for the loss which the state might sustain either by those who could not pay, or by those who would not pay (for there were many such), and who, by the indulgent execution of the law, were not forced to pay. The more severe government of France assesses upon each generality

a certain sum, which the intendant must find as he can. If any province complains of being assessed too high, it may, in the assessment of next year, obtain an abatement proportioned to the overcharge of the year before; but it must pay in the mean time. The intendant, in order to be sure of finding the sum assessed upon his generality, was empowered to assess it in a larger sum, that the failure or inability of some of the contributors might be compensated by the overcharge of the rest; and till 1765, the fixation of this surplus assessment was left altogether to his discretion. In that year, indeed, the council assumed this power to itself. In the capitation of the provinces, it is observed by the perfectly well-informed author of the Memoirs upon the Impositions in France, the proportion which falls upon the nobility and upon those whose privileges exempt them from the taille, is the least considerable. The largest falls upon those subject to the taille, who are assessed to the capitation at so much a pound of what they pay to that other tax.

Capitation taxes, so far as they are levied upon the lower ranks of people, are direct taxes upon the wages of labour, and are attended with all the inconveniencies of such taxes.

Capitation taxes are levied at little expense; and, where they are rigorously exacted, afford a very sure revenue to the state. It is upon this account that in countries where the ease, comfort, and security of the inferior ranks of people are little attended to, capitation-taxes are very common. It is in general, however, but a small part of the public revenue, which, in a great empire, has ever been drawn from such taxes; and the greatest sum which they have ever afforded, might always have been found in some other way much more convenient to the people.

Taxes upon consumable Commodities.

The impossibility of taxing the people in proportion to their revenue, by any capitation, seems to have given occasion to the invention of taxes upon consumable commodities. The state not knowing how to tax directly and proportionally the revenue of its subjects, endeavours to tax it indirectly by taxing their expense, which, it is supposed, will in most cases be nearly in proportion to their revenue. Their expense is taxed by taxing the consumable commodities upon which it is laid out.

Consumable commodities are either necessaries or luxuries.

By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably, though they had no linen; but in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. In Scotland, custom has rendered them a necessary of life to the lowest order of men, but not to the same order of women, who may, without any discredit, walk about barefooted. In France, they are necessaries neither to men nor to women; the lowest rank of both sexes appearing there publicly, without any discredit, sometimes in wooden shoes, and sometimes barefooted. Under necessaries, therefore, I comprehend not only those things which nature, but those things which the established rules of decency, have rendered necessary to the lowest rank of people. All other things I call luxuries; without meaning, by this appellation, to throw the smallest degree of reproach upon the temperate use of them. Beer and ale, for example, in Great Britain, and wine, even in the wine countries, I call luxuries. A man of any rank may, without any reproach, abstain totally from tasting such liquors. Nature does not render them necessary for the support of life; and custom nowhere renders it indecent to live without them.

As the wages of labour are everywhere regulated partly by the demand for it, and partly by the average price of the necessary articles of subsistence, whatever raises this average price must necessarily raise those wages, so that the labourer may still be able to purchase that quantity of those necessary articles which the state of the demand for labour, whether increasing, stationary, or declining, requires that he should have.[1] A tax upon those articles necessarily raises their price somewhat higher than the amount of the tax, because the dealer, who advances the tax, must generally get it back with a profit. Such a tax must, therefore, occasion a rise in the wages of labour proportionable to this rise of price.

It is thus that a tax upon the necessaries of life operates exactly in the same manner as a direct tax upon the wages of labour. The labourer, though he may pay it out of his hand, cannot, for any considerable time at least, be properly said even to advance it. It must always in the long run be advanced

[1] See book i. chap. 8.

to him by his immediate employer in the advanced rate of his wages. His employer, if he is a manufacturer, will charge upon the price of his goods this rise of wages, together with a profit; so that the final payment of the tax, together with this overcharge, will fall upon the consumer. If his employer is a farmer, the final payment, together with a like overcharge, will fall upon the rent of the landlord.[1]

It is otherwise with taxes upon what I call luxuries, even upon those of the poor. The rise in the price of the taxed commodities will not necessarily occasion any rise in the wages of labour. A tax upon tobacco, for example, though a luxury of the poor, as well as of the rich, will not raise wages. Though it is taxed in England at three times, and in France at fifteen times its original price, those high duties seem to have no effect upon the wages of labour. The same thing may be said of the taxes upon tea and sugar, which in England and Holland have become luxuries of the lowest ranks of people; and of those upon chocolate, which in Spain is said to have become so. The different taxes which, in Great Britain, have in the course of the present century been imposed upon spirituous liquors, are not supposed to have had any effect upon the wages of labour. The rise in the price of porter, occasioned by an additional tax of three shillings upon the barrel of strong beer, has not raised the wages of common labour in London. These were about eighteen pence and twenty pence a day before the tax, and they are not more now.

The high price of such commodities does not necessarily diminish the ability of the inferior ranks of people to bring up families. Upon the sober and industrious poor, taxes upon such commodities act as sumptuary laws, and dispose them either to moderate, or to refrain altogether from the use of superfluities which they can no longer easily afford. Their ability to bring up families, in consequence of this forced frugality, instead of being diminished, is frequently, perhaps, increased by the tax. It is the sober and industrious poor who generally bring up the most numerous families, and who principally supply the demand for useful labour. All the poor indeed are not sober and industrious, and the dissolute and disorderly might continue to indulge themselves in the use of such commodities after this rise of price, in the same manner as before, without regarding the distress which this indulgence might bring upon their families. Such disorderly persons, however, seldom rear up numerous families; their children generally perishing from neglect, mismanagement, and the scantiness or unwholesomeness of their food. If by the strength of their constitution they survive the hardships to which the bad conduct of their parents exposes them, yet the example of that bad conduct commonly corrupts their morals, so that instead of being useful to society by their industry, they become public nuisances by their vices and disorders. Though the advanced price of the luxuries of the poor, therefore, might increase somewhat the distress of such disorderly families, and thereby diminish somewhat their ability to bring up their children, it would not probably diminish much the useful population of the country.

Any rise in the average price of necessaries, unless it be compensated by a proportionable rise in the wages of labour, must necessarily diminish more or less the ability of the poor to bring up numerous families, and consequently to supply the demand for useful labour, whatever may be the state of that demand, whether increasing, stationary, or declining, or such as requires an increasing, stationary, or declining population.

Taxes upon luxuries have no tendency to raise the price of any other commodities except that of the commodities taxed. Taxes upon necessaries, by raising the wages of labour, necessarily tend to raise the price of all manufactures, and consequently to diminish the extent of their sale and consumption.[2] Taxes upon luxuries are finally paid by the consumers of the commodities taxed, without any retribution. They fall indifferently upon every species of revenue, the wages of labour, the profits of stock, and the rent of land. Taxes upon necessaries, so far as they affect the labouring poor, are finally paid, partly by landlords in the diminished rent of their lands, and partly by rich consumers, whether landlords or others, in the advanced price of manufactured goods; and always with a considerable overcharge. The advanced price of such manufactures as are real necessaries of life, and are destined for the consumption of the poor—of coarse woollens, for example—must be compensated to the poor by a farther advancement of their wages. The middling and superior ranks of people, if they understood their own interest, ought always to oppose all taxes upon the necessaries of life, as well as all direct taxes upon the wages of labour. The final payment of both the one and the other falls altogether upon themselves, and always with a considerable overcharge. They fall heaviest upon the landlords, who always pay in a double capacity: in that of landlords, by the reduction of their rent; and in that of rich consumers, by the increase of their expense.

[1] See *ante*, p. 391, note.

[2] For a refutation of this statement, see supplemental note on the Effect of Variations in the Rates of Profit and Wages on the Value of Commodities.

The observation of Sir Matthew Decker, that certain taxes are, in the price of certain goods, sometimes repeated and accumulated four or five times, is perfectly just with regard to taxes upon the necessaries of life. In the price of leather, for example, you must pay, not only for the tax upon the leather of your own shoes, but for a part of that upon those of the shoemaker and the tanner. You must pay too for the tax upon the salt, upon the soap, and upon the candles which those workmen consume while employed in your service; and for the tax upon the leather which the saltmaker, the soapmaker, and the candlemaker consume while employed in their service.

In Great Britain, the principal taxes upon the necessaries of life are those upon the four commodities just now mentioned, salt, leather, soap, and candles.

Salt is a very ancient and a very universal subject of taxation. It was taxed among the Romans, and it is so at present in, I believe, every part of Europe. The quantity annually consumed by any individual is so small, and may be purchased so gradually, that nobody, it seems to have been thought, could feel very sensibly even a pretty heavy tax upon it. It is in England taxed at three shillings and fourpence a bushel; about three times the original price of the commodity.[1] In some other countries the tax is still higher. Leather is a real necessary of life. The use of linen renders soap such. In countries where the winter nights are long, candles are a necessary instrument of trade. Leather and soap are in Great Britain taxed at three halfpence a pound; candles at a penny,[2] taxes which, upon the original price of leather, may amount to about eight or ten per cent.; upon that of soap to about twenty or five and twenty per cent., and upon that of candles to about fourteen or fifteen per cent.,—taxes which, though lighter than that upon salt, are still very heavy. As all those four commodities are real necessaries of life, such heavy taxes upon them must increase somewhat the expense of the sober and industrious poor, and must consequently raise more or less the wages of their labour.

In a country where the winters are so cold as in Great Britain, fuel is, during that season, in the strictest sense of the word, a necessary of life, not only for the purpose of dressing victuals, but for the comfortable subsistence of many different sorts of workmen who work within doors; and coals are the cheapest of all fuel. The price of fuel has so important an influence upon that of labour, that all over Great Britain manufactures have confined themselves principally to the coal countries; other parts of the country, on account of the high price of this necessary article, not being able to work so cheap. In some manufactures, besides, coal is a necessary instrument of trade; as in those of glass, iron, and all other metals. If a bounty could in any case be reasonable, it might perhaps be so upon the transportation of coals from those parts of the country in which they abound, to those in which they are wanted. But the legislature, instead of a bounty, has imposed a tax of three shillings and three-pence a ton upon coal carried coastways, which upon most sorts of coal is more than sixty per cent. of the original price at the coal-pit. Coals carried either by land or by inland navigation pay no duty. Where they are naturally cheap, they are consumed duty-free: where they are naturally dear, they are loaded with a heavy duty.[3]

Such taxes, though they raise the price of subsistence, and consequently the wages of labour, yet they afford a considerable revenue to government, which it might not be easy to find in any other way. There may, therefore, be good reasons for continuing them. The bounty upon the exportation of corn, so far as it tends in the actual state of tillage to raise the price of that necessary article, produces all the like bad effects; and instead of affording any revenue, frequently occasions a very great expense to government. The high duties upon the importation of foreign corn, which in years of moderate plenty amount to a prohibition, and the absolute prohibition of the importation either of live cattle or of salt provisions, which takes place in the ordinary state of the law, and which, on account of the scarcity, is at present suspended for a limited time with regard to Ireland and the British plantations, have all had the bad effects of taxes upon the necessaries of life, and produce no revenue to government. Nothing seems necessary for the repeal of such regulations, but to convince the public of the futility of that system in consequence of which they have been established.

Taxes upon the necessaries of life are much higher in many other countries than in Great Britain. Duties upon flour and meal when ground at the mill, and upon bread when baked at the oven, take place in many countries. In Holland the money price of the bread consumed in towns is supposed to be doubled by means of such taxes. In lieu of a part of them, the people who live in the country pay every year so much a head, according to the sort of bread they are

[1] In England the salt-tax, previously to its repeal, in 1823, was as high as fifteen shillings a bushel.

[2] The duty on candles was repealed in 1831, and the duty on soap shared the same fate in 1853.

[3] The duties on coal for home consumption, whether carried by sea or land, were repealed in 1831.

supposed to consume. Those who consume wheaten bread pay three guilders fifteen stivers; about six shillings and ninepence halfpenny. These and some other taxes of the same kind, by raising the price of labour, are said to have ruined the greater part of the manufactures of Holland.[1] Similar taxes, though not quite so heavy, take place in the Milanese, in the states of Genoa, in the duchy of Modena, in the duchies of Parma, Placentia, and Guastalla, and in the ecclesiastical state. A French author[2] of some note has proposed to reform the finances of this country, by substituting in the room of the greater part of other taxes this most ruinous of all taxes. There is nothing so absurd, says Cicero, which has not sometimes been asserted by some philosophers.

Taxes upon butchers' meat are still more common than those upon bread. It may indeed be doubtful whether butchers' meat is anywhere a necessary of life. Grain and other vegetables, with the help of milk, cheese, and butter, or oil, where butter is not to be had, it is known from experience, can, without any butchers' meat, afford the most plentiful, the most wholesome, the most nourishing, and the most invigorating diet. Decency nowhere requires that any man should eat butchers' meat, as it in most places requires that he should wear a linen shirt or a pair of leather shoes.

Consumable commodities whether necessaries or luxuries, may be taxed in two different ways. the consumer may either pay an annual sum on account of his using or consuming goods of a certain kind; or the goods may be taxed while they remain in the hands of the dealer, and before they are delivered to the consumer. The consumable goods which last a considerable time before they are consumed altogether, are most properly taxed in the one way; those of which the consumption is either immediate or more speedy, in the other. The coach-tax and plate-tax are examples of the former method of imposing; the greater part of the other duties of excise and customs, of the latter.

A coach may, with good management, last ten or twelve years. It might be taxed, once for all, before it comes out of the hands of the coachmaker. But it is certainly more convenient for the buyer to pay four pounds a year for the privilege of keeping a coach[3], than to pay all at once forty or forty-eight pounds additional price to the coachmaker; or a sum equivalent to what the tax is likely to cost him during the time he uses the same coach. A service of plate, in the same manner, may last more than a century. It is certainly easier for the consumer to pay five shillings a year for every hundred ounces of plate, near one per cent. of the value, than to redeem this long annuity at five and twenty or thirty years' purchase, which would enhance the price at least five and twenty or thirty per cent. The different taxes which affect houses are certainly more conveniently paid by moderate annual payments than by a heavy tax of equal value upon the first building or sale of the house.

It was the well-known proposal of Sir Matthew Decker that all commodities, even those of which the consumption is either immediate or very speedy, should be taxed in this manner; the dealer advancing nothing, but the consumer paying a certain annual sum for the licence to consume certain goods. The object of his scheme was to promote all the different branches of foreign trade, particularly the carrying trade, by taking away all duties upon importation and exportation, and thereby enabling the merchant to employ his whole capital and credit in the purchase of goods and the freight of ships, no part of either being diverted towards the advancing of taxes. The project, however, of taxing, in this manner, goods of immediate or speedy consumption seems liable to the four following very important objections:—First, the tax would be more unequal, or not so well proportioned to the expense and consumption of the different contributors, as in the way in which it is commonly imposed. The taxes upon ale, wine, and spirituous liquors, which are advanced by the dealers, are finally paid by the different consumers, exactly in proportion to their respective consumption. But if the tax were to be paid by purchasing a licence to drink those liquors, the sober would, in proportion to his consumption, be taxed much more heavily than the drunken consumer. A family which exercised great hospitality would be taxed much more lightly than one who entertained fewer guests. Secondly, this mode of taxation, by paying for an annual, half-yearly, or quarterly licence to consume certain goods, would diminish very much one of the principal conveniences of taxes upon goods of speedy consumption, the piece-meal payment. In the price of threepence halfpenny, which is at present paid for a pot of porter, the different taxes upon malt, hops, and beer, together with the extraordinary profit which the brewer charges for having advanced them, may perhaps amount to about three halfpence. If a workman can conveniently spare those three halfpence, he buys a pot of porter; if he cannot, he contents himself with a pint, and, as a penny saved is a penny got, he thus gains a farthing by his temperance; he pays the tax piece-meal, as he can afford to pay

1 Mémoires concernant les Droits, &c. p. 210, 211.

2 Le Réformateur.

3 The present (1863) duty on a four-wheeled carriage is 3*l.* 10*s.* a year, if drawn by two or more horses; and 2*l.* if it be drawn by one horse; these duties being reduced when the diameter of the wheels is under 30 inches. There are also duties on carriages with two wheels, &c.

it, and when he can afford to pay it, and every act of payment is perfectly voluntary, and what he can avoid if he chooses to do so. Thirdly, such taxes would operate less as sumptuary laws. When the license was once purchased, whether the purchaser drunk much or drunk little, his tax would be the same. Fourthly, if a workman were to pay all at once, by yearly, half-yearly, or quarterly payments, a tax equal to what he at present pays, with little or no inconveniency, upon all the different pots and pints of porter which he drinks in any such period of time, the sum might frequently distress him very much. This mode of taxation, therefore, it seems evident, could never, without the most grievous oppression, produce a revenue nearly equal to what is derived from the present mode without any oppression. In several countries, however, commodities of an immediate or very speedy consumption are taxed in this manner. In Holland, people pay so much a head for a license to drink tea. I have already mentioned a tax upon bread, which so far as it is consumed in farm-houses and country villages, is there levied in the same manner.

The duties of excise are imposed chiefly upon goods of home produce destined for home consumption; they are imposed only upon a few sorts of goods of the most general use. There can never be any doubt either concerning the goods which are subject to those duties, or concerning the particular duty which each species of goods is subject to. They fall almost altogether upon what I call luxuries, excepting always the four duties above mentioned, upon salt, soap, leather, candles, and perhaps that upon green glass.

The duties of customs are much more ancient than those of excise. They seem to have been called customs, as denoting customary payments which had been in use from time immemorial; they appear to have been originally considered as taxes upon the profits of merchants. During the barbarous times of feudal anarchy, merchants, like all the other inhabitants of burghs, were considered as little better than emancipated bondmen, whose persons were despised, and whose gains were envied. The great nobility, who had consented that the king should tallage the profits of their own tenants, were not unwilling that he should tallage likewise those of an order of men whom it was much less their interest to protect. In those ignorant times, it was not understood that the profits of merchants are a subject not taxable directly; or that the final payment of all such taxes must fall, with a considerable overcharge, upon the consumers.

The gains of alien merchants were looked upon more unfavourably than those of English merchants; it was natural, therefore, that those of the former should be taxed more heavily than those of the latter. This distinction between the duties upon aliens and those upon English merchants, which was begun from ignorance, has been continued from the spirit of monopoly, or in order to give our own merchants an advantage both in the home and in the foreign market.

With this distinction, the ancient duties of customs were imposed equally upon all sorts of goods, necessaries as well as luxuries, goods exported as well as goods imported. Why should the dealers in one sort of goods, it seems to have been thought, be more favoured than those in another? or why should the merchant exporter be more favoured than the merchant importer?

The ancient customs were divided into three branches: the first, and perhaps the most ancient of all those duties, was that upon wool and leather. It seems to have been chiefly or altogether an exportation duty. When the woollen manufacture came to be established in England, lest the king should lose any part of his customs upon wool by the exportation of woollen cloths, a like duty was imposed upon them. The other two branches were, first, a duty upon wine, which being imposed at so much a ton, was called a tonnage; and, secondly, a duty upon all other goods, which, being imposed at so much a pound of their supposed value, was called a poundage. In the forty-seventh year of Edward III., a duty of sixpence in the pound was imposed upon all goods exported and imported, except wools, woolfells, leather, and wines, which were subject to particular duties. In the fourteenth of Richard II. this duty was raised to one shilling in the pound; but three years afterwards, it was again reduced to sixpence. It was raised to eightpence in the second year of Henry IV.; and in the fourth of the same prince, to one shilling. From this time to the ninth year of William III. this duty continued at one shilling in the pound. The duties of tonnage and poundage were generally granted to the king by one and the same act of parliament, and were called the subsidy of tonnage and poundage. The subsidy of poundage having continued for so long a time at one shilling in the pound, or at five per cent., a subsidy came, in the language of the customs, to denote a general duty of this kind of five per cent. This subsidy, which is now called the old subsidy, still continues to be levied according to the book of rates established in the twelfth of Charles II. The method of ascertaining, by a book of rates, the value of goods subject to this duty is said to be older than the time of James I. The new subsidy, imposed by the ninth and tenth of William III., was an additional five per cent. upon the greater part of goods. The one-third and the two-third subsidy made up between them another five per cent., of which they were

proportionable parts. The subsidy of 1747 made a fourth five per cent. upon the greater part of goods; and that of 1759, a fifth upon some particular sorts of goods. Besides those five subsidies, a great variety of other duties have occasionally been imposed upon particular sorts of goods, in order sometimes to relieve the exigencies of the state, and sometimes to regulate the trade of the country, according to the principles of the mercantile system.

That system has come gradually more and more into fashion. The old subsidy was imposed indifferently upon exportation as well as importation. The four subsequent subsidies, as well as the other duties which have since been occasionally imposed upon particular sorts of goods, have, with a few exceptions, been laid altogether upon importation. The greater part of the ancient duties which had been imposed upon the exportation of the goods of home produce and manufacture, have either been lightened or taken away altogether. In most cases they have been taken away. Bounties have even been given upon the exportation of some of them. Drawbacks too, sometimes of the whole, and, in most cases, of a part of the duties which are paid upon the importation of foreign goods, have been granted upon their exportation. Only half the duties imposed by the old subsidy upon importation are drawn back upon exportation: but the whole of those imposed by the latter subsidies and other imposts are, upon the greater part of goods, drawn back in the same manner. This growing favour of exportation, and discouragement of importation, have suffered only a few exceptions, which chiefly concern the materials of some manufactures. These, our merchants and manufacturers are willing should come as cheap as possible to themselves, and as dear as possible to their rivals and competitors in other countries. Foreign materials are, upon this account, sometimes allowed to be imported duty-free; Spanish wool, for example, flax, and raw linen yarn. The exportation of the materials of home produce, and of those which are the particular produce of our colonies, has sometimes been prohibited, and sometimes subjected to higher duties. The exportation of English wool has been prohibited. That of beaver skins, of beaver wool, and of gum Senegal, has been subjected to higher duties; Great Britain, by the conquest of Canada and Senegal, having got almost the monopoly of those commodities.[1]

That the mercantile system has not been very favourable to the revenue of the great body of the people, to the annual produce of the land and labour of the country, I have endeavoured to show in the fourth book of this Inquiry. It seems not to have been more favourable to the revenue of the sovereign, so far at least as that revenue depends upon the duties of customs.

In consequence of that system, the importation of several sorts of goods has been prohibited altogether. This prohibition has in some cases entirely prevented, and in others has very much diminished the importation of those commodities, by reducing the importers, to the necessity of smuggling. It has entirely prevented the importation of foreign woollens; and it has very much diminished that of foreign silks and velvets. In both cases it has entirely annihilated the revenue of customs which might have been levied upon such importation.

The high duties which have been imposed upon the importation of many different sorts of foreign goods, in order to discourage their consumption in Great Britain, have in many cases served only to encourage smuggling; and in all cases have reduced the revenue of the customs below what more moderate duties would have afforded. The saying of Dr. Swift, that in the arithmetic of the customs two and two, instead of making four, make sometimes only one, holds perfectly true with regard to such heavy duties, which never could have been imposed, had not the mercantile system taught us, in many cases, to employ taxation as an instrument, not of revenue, but of monopoly.

The bounties which are sometimes given upon the exportation of home produce and manufactures, and the drawbacks which are paid upon the re-exportation of the greater part of foreign goods, have given occasion to many frauds, and to a species of smuggling more destructive of the public revenue than any other. In order to obtain the bounty or drawback, the goods, it is well known, are sometimes shipped and sent to sea; but soon afterwards clandestinely relanded in some other part of the country. The defalcation of the revenue of customs occasioned by bounties and drawbacks, of which a great part are obtained fraudulently, is very great. The gross produce of the customs, in the year which ended on the 5th of January, 1755, amounted to 5,068,000*l.* The bounties which were paid out of this revenue, though in that year there was no bounty upon corn, amounted to 167,800*l.* The drawbacks which were paid upon debentures and certificates, to 2,156,800*l.* Bounties and drawbacks together amounted to 2,324,600*l.* In consequence of these deductions the revenue of the customs amounted only to 2,743,400*l.*: from which, deducting 287,900*l.* for the expense of management in salaries and other incidents, the neat revenue of the customs for that year comes out to be 2,455,500*l.* The expense of management amounts in this manner to between five and six per cent. upon the gross revenue of the customs, and

[1] See *ante*, p. 297, note.

to something more than ten per cent. upon what remains of that revenue, after deducting what is paid away in bounties and drawbacks.

Heavy duties being imposed upon almost all goods imported, our merchant importers smuggle as much, and make entry of as little as they can. Our merchant exporters, on the contrary, make entry of more than they export; sometimes out of vanity, and to pass for great dealers in goods which pay no duty; and sometimes to gain a bounty or a drawback. Our exports, in consequence of these different frauds, appear upon the custom-house books greatly to overbalance our imports; to the unspeakable comfort of those politicians who measure the national prosperity by what they call the balance of trade.

All goods imported, unless particularly exempted, and such exemptions are not very numerous, are liable to some duties of customs. If any goods are imported not mentioned in the book of rates, they are taxed at 4*s.* $9\frac{8}{20}$*d.* for every twenty shillings value, according to the oath of the importer, that is, nearly at five subsidies, or five poundage duties. The book of rates is extremely comprehensive, and enumerates a great variety of articles, many of them little used, and therefore not well known. It is upon this account frequently uncertain under what article a particular sort of goods ought to be classed, and consequently what duty they ought to pay. Mistakes with regard to this sometimes ruin the custom-house officer, and frequently occasion much trouble, expense, and vexation to the importer. In point of perspicuity, precision, and distinctness, therefore, the duties of customs are much inferior to those of excise.

In order that the greater part of the members of any society should contribute to the public revenue in proportion to their respective expense, it does not seem necessary that every single article of that expense should be taxed. The revenue which is levied by the duties of excise is supposed to fall as equally upon the contributors as that which is levied by the duties of customs; and the duties of excise are imposed upon a few articles only of the most general use and consumption. It has been the opinion of many people, that, by proper management, the duties of customs might likewise, without any loss to the public revenue, and with great advantage to foreign trade, be confined to a few articles only.

The foreign articles of the most general use and consumption in Great Britain seem at present to consist chiefly in foreign wines and brandies; in some of the productions of America and the West Indies, sugar, rum, tobacco, cocoa-nuts, &c.; and in some of those of the East Indies, tea, coffee, chinaware, spiceries, of all kinds, several sorts of piece-goods, &c. These different articles afford, perhaps, at present, the greater part of the revenue which is drawn from the duties of customs. The taxes which at present subsist upon foreign manufactures, if you except those upon the few contained in the foregoing enumeration, have, the greater part of them, been imposed for the purpose, not of revenue, but of monopoly, or to give our own merchants an advantage in the home market. By removing all prohibitions, and by subjecting all foreign manufactures to such moderate taxes as it was found from experience afforded upon each article the greatest revenue to the public, our own workmen might still have a considerable advantage in the home market; and many articles, some of which at present afford no revenue to government, and others a very inconsiderable one, might afford a very great one.

High taxes, sometimes by diminishing the consumption of the taxed commodities, and sometimes by encouraging smuggling, frequently afford a smaller revenue to government than what might be drawn from more moderate taxes.

When the diminution of revenue is the effect of the diminution of consumption, there can be but one remedy, and that is the lowering of the tax.

When the diminution of the revenue is the effect of the encouragement given to smuggling, it may perhaps be remedied in two ways: either by diminishing the temptation to smuggle, or by increasing the difficulty of smuggling. The temptation to smuggle can be diminished only by the lowering of the tax; and the difficulty of smuggling can be increased only by establishing that system of administration which is most proper for preventing it.

The excise laws, it appears, I believe, from experience, obstruct and embarrass the operations of the smuggler much more effectually than those of the customs. By introducing into the customs a system of administration as similar to that of the excise as the nature of the different duties will admit, the difficulty of smuggling might be very much increased. This alteration, it has been supposed by many people, might very easily be brought about.

The importer of commodities liable to any duties of customs, it has been said, might, at his option, be allowed either to carry them to his own private warehouse, or to lodge them in a warehouse provided either at his own expense or that of the public, but under the key of the custom-house officer, and never to be opened but in his presence. If the merchant carried them to his own private

warehouse, the duties to be immediately paid, and never afterwards to be drawn back; and that warehouse to be at all times subject to the visit and examination of the custom-house officer, in order to ascertain how far the quantity contained in it corresponded with that for which the duty had been paid. If he carried them to the public warehouse, no duty to be paid till they were taken out for home consumption. If taken out for exportation, to be duty-free; proper security being always given that they should be so exported. The dealers in those particular commodities, either by wholesale or retail, to be at all times subject to the visit and examination of the custom-house officer; and to be obliged to justify by proper certificates the payment of the duty upon the whole quantity contained in their shops or warehouses. What are called the excise-duties upon rum imported are at present levied in this manner; and the same system of administration might perhaps be extended to all duties upon goods imported; provided always that those duties were, like the duties of excise, confined to a few sorts of goods of the most general use and consumption. If they were extended to almost all sorts of goods, as at present, public warehouses of sufficient extent could not easily be provided, and goods of a very delicate nature, or of which the preservation required much care and attention, could not safely be trusted by the merchant in any warehouse but his own.

If, by such a system of administration, smuggling to any considerable extent could be prevented even under pretty high duties; and if every duty was occasionally either heightened or lowered according as it was most likely, either the one way or the other, to afford the greatest revenue to the state, taxation being always employed as an instrument of revenue, and never of monopoly, it seems not improbable that a revenue, at least equal to the present neat revenue of the customs, might be drawn from duties upon the importation of only a few sorts of goods of the most general use and consumption; and that the duties of customs might thus be brought to the same degree of simplicity, certainty and precision, as those of excise. What the revenue at present loses by drawbacks upon the re-exportation of foreign goods, which are afterwards relanded and consumed at home, would, under this system, be saved altogether. If to this saving, which would alone be very considerable, were added the abolition of all bounties upon the exportation of home produce — in all cases in which those bounties were not in reality drawbacks of some duties of excise which had before been advanced — it cannot well be doubted but that the neat revenue of customs might, after an alteration of this kind, be fully equal to what it had ever been before.

If, by such a change of system, the public revenue suffered no loss, the trade and manufactures of the country would certainly gain a very considerable advantage. The trade in the commodities not taxed, by far the greatest number, would be perfectly free, and might be carried on to and from all parts of the world with every possible advantage. Among those commodities would be comprehended all the necessaries of life, and all the materials of manufacture. So far as the free importation of the necessaries of life reduced their average money price in the home market, it would reduce the money price of labour, but without reducing in any respect its real recompense. The value of money is in proportion to the quantity of the necessaries of life which it will purchase; that of the necessaries of life is altogether independent of the quantity of money which can be had for them. The reduction in the money price of labour would necessarily be attended with a proportionable one in that of all home manufactures, which would thereby gain some advantage in all foreign markets. The price of some manufactures would be reduced in a still greater proportion by the free importation of the raw materials. If raw silk could be imported from China and Indostan duty-free, the silk manufacturers in England could greatly undersell those of both France and Italy. There would be no occasion to prohibit the importation of foreign silks and velvets; the cheapness of their goods would secure to our own workmen not only the possession of the home but a very great command of the foreign market: even the trade in the commodities taxed would be carried on with much more advantage than at present. If those commodities were delivered out of the public warehouse for foreign exportation, being in this case exempted from all taxes, the trade in them would be perfectly free. The carrying trade in all sorts of goods would, under this system, enjoy every possible advantage. If those commodities were delivered out for home consumption, the importer not being obliged to advance the tax till he had an opportunity of selling his goods, either to some dealer or to some consumer, he could always afford to sell them cheaper than if he had been obliged to advance it at the moment of importation. Under the same taxes, the foreign trade of consumption, even in the taxed commodities, might in this manner be carried on with much more advantage than it can at present.

It was the object of the famous excise scheme of Sir Robert Walpole to establish, with regard to wine and tobacco, a system not very unlike that which is here proposed.

But though the bill which was then brought into parliament comprehended those two commodities only, it was generally supposed to be meant as an introduction to a more extensive scheme of the same kind. Faction, combined with the interest of smuggling merchants, raised so violent, though so unjust a clamour against that bill, that the minister thought proper to drop it; and from a dread of exciting a clamour of the same kind, none of his successors have dared to resume the project.[1]

The duties upon foreign luxuries imported for home consumption, though they sometimes fall upon the poor, fall principally upon people of middling or more than middling fortune. Such are, for example, the duties upon foreign wines, upon coffee, chocolate, tea, sugar, &c.

The duties upon the cheaper luxuries of home produce, destined for home consumption, fall pretty equally upon people of all ranks in proportion to their respective expense. The poor pay the duties upon malt, hops, beer, and ale, upon their own consumption: the rich, upon both their own consumption and that of their servants.

The whole consumption of the inferior ranks of people, or of those below the middling rank, it must be observed, is in every country much greater, not only in quantity but in value, than that of the middling and of those above the middling rank. The whole expense of the inferior is much greater than that of the superior ranks. In the first place, almost the whole capital of every country is annually distributed among the inferior ranks of people, as the wages of productive labour. Secondly, a great part of the revenue arising from both the rent of land and the profits of stock is annually distributed among the same rank, in the wages and maintenance of menial servants, and other unproductive labourers. Thirdly, some part of the profits of stock belongs to the same rank, as a revenue arising from the employment of their small capitals. The amount of the profits annually made by small shopkeepers, tradesmen, and retailers of all kinds, is everywhere very considerable, and makes a very considerable portion of the annual produce. Fourthly and lastly, some part even of the rent of land belongs to the same rank; a considerable part to those who are somewhat below the middling rank, and a small part even to the lowest rank; common labourers sometimes possessing in property an acre or two of land. Though the expense of those inferior ranks of people, therefore, taking them individually, is very small, yet the whole mass of it, taking them collectively, amounts always to by much the largest portion of the whole expense of the society; what remains of the annual produce of the land and labour of the country, for the consumption of the superior ranks being always much less, not only in quantity but in value. The taxes upon expense, therefore, which fall chiefly upon that of the superior ranks of people, upon the smaller portion of the annual produce, are likely to be much less productive than either those which fall indifferently upon the expense of all ranks, or even those which fall chiefly upon that of the inferior ranks, than either those which fall indifferently upon the whole annual produce, or those which fall chiefly upon the larger portion of it. The excise upon the materials and manufacture of home-made fermented and spirituous liquors is accordingly, of all the different taxes upon expense, by far the most productive; and this branch of the excise falls very much, perhaps principally, upon the expense of the common people. In the year which ended on the 5th of July, 1775, the gross produce of this branch of the excise amounted to 3,341,837*l.* 9*s.* 9*d.*[2]

It must always be remembered, however, that it is the luxurious and not the necessary expense of the inferior ranks of people that ought ever to be taxed. The final payment of any tax upon their necessary expense would fall altogether upon the superior ranks of people; upon the smaller portion of the annual produce, and not upon the greater. Such a tax must in all cases either raise the wages of labour, or lessen the demand for it. It could not raise the wages of labour without throwing the final payment of the tax upon the superior ranks of people. It could not lessen the demand for labour without lessening the annual produce of the land and labour of the country, the fund from which all taxes must be finally paid. Whatever might be the state to which a tax of this kind reduced the demand for labour, it must always raise wages higher than they otherwise would be in that state; and the final payment of this enhancement of wages must in all cases fall upon the superior ranks of people.

Fermented liquors brewed, and spirituous liquors distilled, not for sale but for private use, are not in Great Britain liable to any duties of excise. This exemption, of which the object is to save private families from the odious visit and examination of the tax-gatherer, occasions the burden of those duties to fall frequently much lighter upon

[1] The adoption of the warehousing and bonding system has fully realised all the advantages pointed out by Dr. Smith, and is one of the greatest improvements ever effected in the commercial and financial policy of the country.

[2] The duty on beer, which produced about 3,000,000*l.* a year, was repealed in 1830. The [illegible] produce of the duties on British spirits and ma[illegible] in Great Britain, for the year ended the 31st March 1868, amounted to 12,886,420*l.*, and their nett produce to 12,222,642*l.*

the rich than upon the poor. It is not, indeed, very common to distil for private use, though it is done sometimes; but in the country, many middling and almost all rich and great families brew their own beer. Their strong beer, therefore, costs them eight shillings a barrel less than it costs the common brewer, who must have his profit upon the tax, as well as upon all the other expense which he advances. Such families, therefore, must drink their beer at least nine or ten shillings a barrel cheaper than any liquor of the same quality can be drunk by the common people, to whom it is everywhere more convenient to buy their beer, by little and little, from the brewery or the alehouse. Malt, in the same manner, that is made for the use of a private family is not liable to the visit or examination of the tax-gatherer; but in this case the family must compound at seven shillings and sixpence a head for the tax.[1] Seven shillings and sixpence are equal to the excise upon ten bushels of malt,—a quantity fully equal to what all the different members of any sober family, men, women, and children, are at an average likely to consume. But in rich and great families, where country hospitality is much practised, the malt liquors consumed by the members of the family make but a small part of the consumption of the house. Either on account of this composition, however, or for other reasons, it is not near so common to malt as to brew for private use. It is difficult to imagine any equitable reason why those who either brew or distil for private use should not be subject to a composition of the same kind.

A greater revenue than what is at present drawn from all the heavy taxes upon malt, beer, and ale, might be raised, it has frequently been said, by a much lighter tax upon malt; the opportunities of defrauding the revenue being much greater in a brewery than in a malt-house; and those who brew for private use being exempted from all duties or composition for duties, which is not the case with those who malt for private use.

In the porter brewery of London, a quarter of malt is commonly brewed into more than two barrels and a half, sometimes into three barrels of porter. The different taxes upon malt amount to six shillings a quarter; those upon strong beer and ale to eight shillings a barrel.[2] In the porter brewery, therefore, the different taxes upon malt, beer, and ale, amount to between twenty-six and thirty shillings upon the produce of a quarter of malt. In the country brewery, for common country sale, a quarter of malt is seldom brewed into less than two barrels of strong and one barrel of small beer; frequently into two barrels and a half of strong beer. The different taxes upon small beer amount to one shilling and four-pence a barrel. In the country brewery, therefore, the different taxes upon malt, beer, and ale, seldom amount to less than twenty-three shillings and four-pence, frequently to twenty-six shillings, upon the produce of a quarter of malt. Taking the whole kingdom at an average, therefore, the whole amount of the duties upon malt, beer, and ale cannot be estimated at less than twenty-four or twenty-five shillings upon the produce of a quarter of malt. But by taking off all the different duties upon beer and ale, and by tripling the malt tax, or by raising it from six to eighteen shillings upon the quarter of malt, a greater revenue, it is said, might be raised by this single tax than what is at present drawn from all those heavier taxes.

	£	s.	d.
In 1772, the old malt-tax produced	722,023	11	11
The additional	356,776	7	9¾
In 1773, the old tax produced	561,627	3	7¼
The additional	278,650	15	3¾
In 1774, the old tax produced	624,614	17	5¾
The additional	310,745	2	8½
In 1775, the old tax produced	657,357	0	8¼
The additional	323,785	12	6¼
	4)3,835,580	12	0¾
Average of these four years	958,895	3	0$\frac{15}{16}$

	£	s.	d.
In 1772, the country excise produced	1,243,128	5	3
The London brewery	403 260	7	2¾
In 1773, the country excise	1,245,808	3	3
The London brewery	405,406	17	10¼
In 1774, the country excise	1,246,373	14	5½
The London brewery	320,601	18	0¼
In 1775, the country excise	1,214,583	6	1
The London brewery	463,670	7	0¼
	4)6,547,832	19	2¼
Average of these four years	1,636 958	4	9½
To which adding the average malt-tax, or	958,895	3	0$\frac{15}{16}$
The whole amount of those different taxes comes out to be	2,595,853	7	9$\frac{11}{16}$
But, by tripling the malt-tax, or by raising it from six to eighteen shillings upon the quarter of malt, that single tax would produce	2,876,685	9	0$\frac{9}{16}$
A sum which exceeds the foregoing by	280,832	1	2$\frac{1}{16}$

Under the old malt-tax, indeed, is comprehended a tax of four shillings upon the hogshead of cyder, and another of ten shillings upon the barrel of mum.[3] In 1774, the tax upon cyder produced only 3,083*l.* 6*s.* 8*d.* It probably fell somewhat short of its usual amount; all the different taxes upon cyder

[1] This distinction has long ceased to exist; the malt that is used in private families being subjected to the same duty as that which is used in the public breweries.

[2] The existing (1863) duty on malt amounts to 2*s.* 7*d.* a bushel, or 20*s.* 8*d.* a quarter. There is no longer, as already stated, any duty on beer.

[3] The duties on cyder, perry, and mum have all been repealed.

having that year produced less than ordinary. The tax upon mum, though much heavier, is still less productive, on account of the smaller consumption of that liquor. But to balance whatever may be the ordinary amount of those two taxes, there is comprehended under what is called the country excise, first, the old excise of six shillings and eight-pence upon the hogshead of cyder; secondly, a like tax of six shillings and eight-pence upon the hogshead of verjuice; thirdly, another of eight shillings and nine-pence upon the hogshead of vinegar; and lastly, a fourth tax of eleven-pence upon the gallon of mead or metheglin: the produce of those different taxes will probably much more than counterbalance that of the duties imposed, by what is called the annual malt-tax upon cyder and mum.

Malt is consumed not only in the brewery of beer and ale, but in the manufacture of low wines and spirits. If the malt-tax were to be raised to eighteen shillings upon the quarter, it might be necessary to make some abatement in the different excises which are imposed upon those particular sorts of low wines and spirits of which malt makes any part of the materials. In what are called malt spirits, it makes commonly but a third part of the materials; the other two-thirds being either raw barley, or one-third barley and one-third wheat. In the distillery of malt spirits, both the opportunity and the temptation to smuggle are much greater than either in a brewery or in a malt-house: the opportunity, on account of the smaller bulk and greater value of the commodity; and the temptation, on account of the superior height of the duties, which amount to 3*s.* 10½*d.*[1] upon the gallon of spirits. By increasing the duties upon malt, and reducing those upon the distillery, both the opportunities and the temptation to smuggle would be diminished, which might occasion a still further augmentation of revenue.

It has for some time past been the policy of Great Britain to discourage the consumption of spirituous liquors, on account of their supposed tendency to ruin the health and corrupt the morals of the common people. According to this policy, the abatement of the taxes upon the distillery ought not to be so great as to reduce, in any respect, the price of those liquors. Spirituous liquors might remain as dear as ever: while at the same time, the wholesome and invigorating liquors of beer and ale might be considerably reduced in their price. The people might thus be in part relieved from one of the burdens of which they at present complain the most, while, at the same time, the revenue might be considerably augmented.

The objections of Dr. Davenant to this alteration in the present system of excise duties seem to be without foundation. Those objections are, that the tax, instead of dividing itself as at present, pretty equally upon the profit of the maltster, upon that of the brewer, and upon that of the retailer, would, so far as it affected profit, fall altogether upon that of the maltster; that the maltster could not so easily get back the amount of the tax in the advanced price of his malt, as the brewer and retailer in the advanced price of their liquor; and that so heavy a tax upon malt might reduce the rent and profit of barley land.

No tax can ever reduce, for any considerable time, the rate of profit in any particular trade, which must always keep its level with other trades in the neighbourhood. The present duties upon malt, beer, and ale, do not affect the profits of the dealers in those commodities, who all get back the tax with an additional profit in the enhanced price of their goods. A tax, indeed, may render the goods upon which it is imposed so dear as to diminish the consumption of them. But the consumption of malt is in malt liquors; and a tax of eighteen shillings upon the quarter of malt could not well render those liquors dearer than the different taxes, amounting to twenty-four or twenty-five shillings, do at present. Those liquors, on the contrary, would probably become cheaper, and the consumption of them would be more likely to increase than to diminish.

It is not very easy to understand why it should be more difficult for the maltster to get back eighteen shillings in the advanced price of his malt, than it is at present for the brewer to get back twenty-four or twenty-five, sometimes thirty shillings, in that of his liquor. The maltster, indeed, instead of a tax of six shillings, would be obliged to advance one of eighteen shillings upon every quarter of malt. But the brewer is at present obliged to advance a tax of twenty-four or twenty-five, sometimes thirty shillings, upon every quarter of malt which he brews. It could not be more inconvenient for the maltster to advance a lighter tax than it is at present for the brewer to advance a heavier one. The maltster does not always keep in his granaries a stock of malt which it will require a longer time to dispose of than the stock of beer and ale which the brewer frequently keeps in his cellars. The former, therefore, may frequently get the returns of his money as soon as the latter. But what-

[1] Though the duties directly imposed upon proof spirits amount only to 2*s.* 6*d.* per gallon, these added to the duties upon the low wines, from which they are distilled, amount to 3*s.* 10½*d.* Both low wines and proof spirits are, to prevent frauds, now rated according to what they gauge in the wash. (Note by the author.)

The duty on British spirits entered for home consumption in the United Kingdom has been, since 1860, no less than 10*s.* a gallon. This, however, is a most oppressive duty; and it would be more productive were it reduced to 7*s.* a gallon. See Treatise on Taxation, 3rd ed., pp. 364-376.

ever inconveniency might arise to the maltster from being obliged to advance a heavier tax, it could easily be remedied by granting him a few months longer credit than is at present commonly given to the brewer.

Nothing could reduce the rent and profit of barley land which did not reduce the demand for barley. But a change of system, which reduced the duties upon a quarter of malt brewed into beer and ale from twenty-four and twenty-five shillings to eighteen shillings, would be more likely to increase than diminish that demand. The rent and profit of barley land, besides, must always be nearly equal to those of other equally fertile and equally well cultivated land. If they were less, some part of the barley land would soon be turned to some other purpose; and if they were greater, more land would soon be turned to the raising of barley. When the ordinary price of any particular produce of land is at what may be called a monopoly price, a tax upon it necessarily reduces the rent and profit of the land which grows it. A tax upon the produce of those precious vineyards, of which the wine falls so much short of the effectual demand, that its price is always above the natural proportion to that of the produce of other equally fertile and equally well cultivated land, would necessarily reduce the rent and profit of those vineyards. The price of the wines being already the highest that could be got for the quantity commonly sent to market, it could not be raised higher without diminishing that quantity; and the quantity could not be diminished without still greater loss, because the lands could not be turned to any other equally valuable produce. The whole weight of the tax, therefore, would fall upon the rent and profit; properly upon the rent of the vineyard. When it has been proposed to lay any new tax upon sugar, our sugar planters have frequently complained that the whole weight of such taxes fell, not upon the consumer, but upon the producer; they never having been able to raise the price of their sugar after the tax higher than it was before. The price had, it seems, before the tax, been a monopoly price; and the argument adduced to show that sugar was an improper subject of taxation, demonstrated, perhaps, that it was a proper one; the gains of monopolists, whenever they can be come at, being certainly of all subjects the most proper.[1] But the ordinary price of barley has never been a monopoly price; and the rent and profit of barley land have never been above their natural proportion to those of other equally fertile and equally well cultivated land. The different taxes which have been imposed upon malt, beer, and ale, have never lowered the price of barley; have never reduced the rent and profit of barley land. The price of malt to the brewer has constantly risen in proportion to the taxes imposed upon it; and those taxes, together with the different duties upon beer and ale, have constantly either raised the price, or, what comes to the same thing, reduced the quality of those commodities to the consumer. The final payment of those taxes has fallen constantly upon the consumer, and not upon the producer.

The only people likely to suffer by the change of system here proposed are those who brew for their own private use. But the exemption which this superior rank of people at present enjoy, from very heavy taxes which are paid by the poor labourer and artificer, is surely most unjust and unequal, and ought to be taken away, even though this change was never to take place. It has probably been the interest of this superior order of people, however, which has hitherto prevented a change of system that could not well fail both to increase the revenue and to relieve the people.

Besides such duties as those of customs and excise above mentioned, there are several others which affect the price of goods more unequally and more indirectly. Of this kind are the duties which in French are called péages, which in old Saxon times were called duties of passage, and which seem to have been originally established for the same purpose as our turnpike tolls, or the tolls upon our canals and navigable rivers, for the maintenance of the road or of the navigation. Those duties when applied to such purposes, are most properly imposed according to the bulk or weight of the goods. As they were originally local and provincial duties, applicable to local and provincial purposes, the administration of them was in most cases intrusted to the particular town, parish, or lordship, in which they were levied; such communities being in some way or other supposed to be accountable for the application. The sovereign, who is altogether unaccountable, has in many countries assumed to himself the administration of those duties; and though he has in most cases enhanced very much the duty, he has in many entirely neglected the application. If the turnpike tolls of Great Britain should ever become one of the resources of government, we may learn, by the example of many other nations, what would probably be the consequence. Such tolls are, no doubt, finally paid by the consumer; but the consumer is not taxed in proportion to his expense when he pays, not according to the value, but according to the bulk or weight of

[1] The price of sugar cannot be said to be a monopoly price. All individuals are at liberty to carry their capital and industry to Jamaica, Cuba, &c., and to become producers of sugar. And, in point of fact, its price has risen with the increase of the duty.

what he consumes. When such duties are imposed, not according to the bulk or weight, but according to the supposed value of the goods, they become properly a sort of inland customs or excise, which obstruct very much the most important of all branches of commerce, the interior commerce of the country.

In some small states, duties similar to those passage duties are imposed upon goods carried across the territory, either by land or by water, from one foreign country to another. These are in some countries called transit-duties. Some of the little Italian states which are situated upon the Po, and the rivers which run into it, derive some revenue from duties of this kind, which are paid altogether by foreigners, and which perhaps are the only duties that one state can impose upon the subjects of another, without obstructing in any respect the industry or commerce of its own. The most important transit-duty in the world is that levied by the king of Denmark upon all merchant ships which pass through the Sound.

Such taxes upon luxuries as the greater part of the duties of customs and excise, though they all fall indifferently upon every different species of revenue, and are paid finally, or without any retribution, by whoever consumes the commodities upon which they are imposed, yet they do not always fall equally or proportionably upon the revenue of every individual. As every man's humour regulates the degree of his consumption, every man contributes rather according to his humour than in proportion to his revenue: the profuse contribute more, the parsimonious less, than their proper proportion. During the minority of a man of great fortune, he contributes commonly very little, by his consumption, towards the support of that state from whose protection he derives a great revenue. Those who live in another country contribute nothing, by their consumption, towards the support of the government of that country in which is situated the source of their revenue. If in this latter country there should be no land-tax, nor any considerable duty upon the tranference either of moveable or immoveable property, as is the case in Ireland, such absentees may derive a great revenue from the protection of a government to the support of which they do not contribute a single shilling. This inequality is likely to be greatest in a country of which the government is in some respects subordinate and dependent upon that of some other. The people who possess the most extensive property in the dependent, will in this case generally choose to live in the governing country. Ireland is precisely in this situation, and we cannot therefore wonder that the proposal of a tax upon absentees should be so very popular in that country. It might, perhaps, be a little difficult to ascertain either what sort or what degree of absence would subject a man to be taxed as an absentee or at what precise time the tax should either begin or end. If you except, however, this very peculiar situation, any inequality in the contribution of individuals which can arise from such taxes, is much more than compensated by the very circumstance which occasions that inequality; the circumstance that every man's contribution is altogether voluntary; it being altogether in his power either to consume or not to consume the commodity taxed. Where such taxes, therefore, are properly assessed, and upon proper commodities, they are paid with less grumbling than any other. When they are advanced by the merchant or manufacturer, the consumer, who finally pays them, soon comes to confound them with the price of the commodities, and almost forgets that he pays any tax.

Such taxes are, or may be, perfectly certain; or may be assessed so as to leave no doubt concerning either what ought to be paid, or when it ought to be paid; concerning either the quantity or the time of payment. Whatever uncertainty there may sometimes be, either in the duties of customs in Great Britain, or in other duties of the same kind in other countries, it cannot arise from the nature of those duties, but from the inaccurate or unskilful manner in which the law that imposes them is expressed.

Taxes upon luxuries generally are, and always may be, paid piece-meal, or in proportion as the contributors have occasion to purchase the goods upon which they are imposed. In the time and mode of payment they are, or may be, of all taxes the most convenient. Upon the whole, such taxes, therefore, are perhaps as agreeable to the three first of the four general maxims concerning taxation as any other. They offend in every respect against the fourth.

Such taxes, in proportion to what they bring into the public treasury of the state, always take out or keep out of the pockets of the people more than almost any other taxes. They seem to do this in all the four different ways in which it is possible to do it.

First, The levying of such taxes, even when imposed in the most judicious manner, requires a great number of custom-house and excise officers, whose salaries and perquisites are a real tax upon the people, which brings nothing into the treasury of the state. This expense, however, it must be acknowledged, is more moderate in Great Britain than in most other countries. In

the year which ended on the 5th of July, 1775, the gross produce of the different duties, under the management of the commissioners of excise in England, amounted to 5,507,308*l.* 18*s.* 8¼*d.*, which was levied at an expense of little more than five and a half per cent.[1] From this gross produce, however, there must be deducted what was paid away in bounties and drawbacks upon the exportation of exciseable goods, which will reduce the neat produce below five millions.[2] The levying of the salt duty, an excise duty, but under a different management, is much more expensive. The neat revenue of the customs does not amount to two millions and a half, which is levied at an expense of more than ten per cent. in the salaries of officers, and other incidents.[3] But the perquisites of custom-house officers are everywhere much greater than their salaries; at some ports more than double or triple those salaries. If the salaries of officers, and other incidents, therefore, amount to more than ten per cent. upon the neat revenue of the customs, the whole expense of levying that revenue may amount, in salaries and perquisites together, to more than twenty or thirty per cent. The officers of excise receive few or no perquisites; and the administration of that branch of the revenue being of more recent establishment, is in general less corrupted than that of the customs, into which length of time has introduced and authorized many abuses. By charging upon malt the whole revenue which is at present levied by the different duties upon malt and malt liquors, a saving, it is supposed of more than fifty thousand pounds, might be made in the annual expense of the excise. By confining the duties of customs to a few sorts of goods, and by levying those duties according to the excise laws, a much greater saving might probably be made in the annual expense of the customs.

Secondly, Such taxes necessarily occasion some obstruction or discouragement to certain branches of industry. As they always raise the price of the commodity taxed, they so far discourage its consumption, and consequently its production. If it is a commodity of home growth or manufacture, less labour comes to be employed in raising and producing it. If it is a foreign commodity of which the tax increases in this manner the price, the commodities of the same kind which are made at home may thereby indeed gain some advantage in the home market, and a greater quantity of domestic industry may thereby be turned toward preparing them. But though this rise of price in a foreign commodity may encourage domestic industry in one particular branch, it necessarily discourages that industry in almost every other. The dearer the Birmingham manufacturer buys his foreign wine, the cheaper he necessarily sells that part of his hardware with which, or, what comes to the same thing, with the price of which he buys it. That part of his hardware, therefore, becomes of less value to him, and he has less encouragement to work at it. The dearer the consumers in one country pay for the surplus produce of another, the cheaper they necessarily sell that part of their own surplus produce with which, or, what comes to the same thing, with the price of which they buy it. That part of their own surplus produce becomes of less value to them, and they have less encouragement to increase its quantity. All taxes upon consumable commodities, therefore, tend to reduce the quantity of productive labour below what it otherwise would be, either in preparing the commodities taxed, if they are home commodities; or in preparing those with which they are purchased, if they are foreign commodities. Such taxes too always alter, more or less, the natural direction of national industry, and turn it into a channel always different from, and generally less advantageous than that in which it would have run of its own accord.

Thirdly, The hope of evading such taxes by smuggling gives frequent occasion to forfeitures and other penalties, which entirely ruin the smuggler; a person who, though no doubt highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been in every respect, an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so. In those corrupted governments where there is at least a general suspicion of much unnecessary expense, and great misapplication of the public revenue, the laws which guard it are little respected. Not many people are scrupulous about smuggling, when, without perjury, they can find any easy and safe opportunity of doing so. To pretend to have any scruple about buying smuggled goods, though a manifest encouragement to the violation of the revenue laws, and to the perjury which almost always attends it, would, in most countries, be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with any body, serve only to expose the person who affects to practise them to the suspicion of

[1, 3] We shall give in a Supplemental Note, to which we beg to refer the reader, an account of the different items constituting the revenue of the U. Kingdom in 1861 and 1862 with the sums charged to the account of their collection. And we may further mention that in 1841-42 a gross revenue of 51,693,510*l.* was collected at a cost of 6*l.* 14*s.* 1¼*d.* per cent., the item of Post Office revenue costing no less than 60*l.* 15*s.* 8¼*d.* per cent. In 1860-61 a gross revenue of 70,569,998*l.* cost 6*l.* 10*s.* per cent. for collection, the charge on account of the Post Office revenue for that year being 58*l.* 12*s.* 2*d.* per cent.

[2] The neat produce of that year, after deducting all expenses and allowances, amounted to 4,975,652*l.* 19*s.* 6*d.* (Note by the author.)

being a greater knave than most of his neighbours. By this indulgence of the public, the smuggler is often encouraged to continue a trade which he is thus taught to consider as in some measure innocent; and when the severity of the revenue laws is ready to fall upon him, he is frequently disposed to defend with violence what he has been accustomed to regard as his just property. From being at first, perhaps, rather imprudent than criminal, he at last too often becomes one of the hardiest and most determined violators of the laws of society. By the ruin of the smuggler, his capital, which had before been employed in maintaining productive labour, is absorbed either in the revenue of the state or in that of the revenue officer, and is employed in maintaining unproductive, to the diminution of the general capital of the society, and of the useful industry which it might otherwise have maintained.

Fourthly, Such taxes, by subjecting at least the dealers in the taxed commodities to the frequent visits and odious examination of the tax gatherers, expose them sometimes, no doubt, to some degree of oppression, and always to much trouble and vexation; and though vexation, as has already been said, is not strictly speaking expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. The laws of excise, though more effectual for the purpose for which they were instituted, are, in this respect, more vexatious than those of the customs. When a merchant has imported goods subject to certain duties of customs, when he has paid those duties, and lodged the goods in his warehouse, he is not in most cases liable to any further trouble or vexation from the custom-house officer. It is otherwise with goods subject to duties of excise. The dealers have no respite from the continual visits and examination of the excise officers. The duties of excise are, upon this account, more unpopular than those of the customs; and so are the officers who levy them. Those officers, it is pretended, though in general perhaps they do their duty fully as well as those of the customs, yet, as that duty obliges them to be frequently very troublesome to some of their neighbours, commonly contract a certain hardness of character which the others frequently have not. This observation, however, may very probably be the mere suggestion of fraudulent dealers, whose smuggling is either prevented or detected by their diligence.

The inconveniencies, however, which are perhaps in some degree inseparable from taxes upon consumable commodities, fall as light upon the people of Great Britain as upon those of any other country of which the government is nearly as expensive. Our state is not perfect, and might be mended; but it is as good or better than that of most of our neighbours.

In consequence of the notion that duties upon consumable goods were taxes upon the profits of merchants, those duties have, in some countries, been repeated upon every successive sale of the goods. If the profits of the merchant importer or merchant manufacturer were taxed, equality seemed to require that those of all the middle buyers who intervened between either of them and the consumer should likewise be taxed. The famous alcavala of Spain seems to have been established upon this principle. It was at first a tax of ten per cent., afterwards of fourteen per cent., and is at present only six per cent. upon the sale of every sort of property, whether moveable or immoveable; and it is repeated every time the property is sold.[1] The levying of this tax requires a multitude of revenue officers sufficient to guard the transportation of goods not only from one province to another but from one shop to another. It subjects not only the dealers in some sorts of goods but those in all sorts, every farmer, every manufacturer, every merchant and shopkeeper, to the continual visits and examination of the tax-gatherers. Through the greater part of a country in which a tax of this kind is established, nothing can be produced for distant sale. The produce of every part of the country must be proportioned to the consumption of the neighbourhood. It is to the alcavala, accordingly, that Ustaritz imputes the ruin of the manufactures of Spain. He might have imputed to it likewise the declension of agriculture, it being imposed not only upon manufactures but upon the rude produce of the land.

In the kingdom of Naples there is a similar tax of three per cent. upon the value of all contracts, and consequently upon that of all contracts of sale. It is both lighter than the Spanish tax, and the greater part of towns and parishes are allowed to pay a composition in lieu of it. They levy this composition in what manner they please, generally in a way that gives no interruption to the interior commerce of the place. The Neapolitan tax, therefore, is not near so ruinous as the Spanish one.

The uniform system of taxation, which, with a few exceptions of no great consequence, takes place in all the different parts of the United Kingdom of Great Britain, leaves the interior commerce of the country, the inland and coasting trade, almost entirely free. The inland trade is almost perfectly free, and the greater part of goods may be carried from one end of the kingdom to the other, without requiring any permit or let-pass,

[1] Mémoires concernant les Droits, &c. tome I. p. 455.

without being subject to question, visit, or examination from the revenue officers. There are a few exceptions, but they are such as can give no interruption to any important branch of the inland commerce of the country; goods carried coastwise, indeed, require certificates of coast-cockets. If you except coals, however, the rest are almost all duty-free. This freedom of interior commerce, the effect of the uniformity of the system of taxation, is perhaps one of the principal causes of the prosperity of Great Britain; every great country being necessarily the best and most extensive market for the greater part of the productions of its own industry. If the same freedom, in consequence of the same uniformity, could be extended to Ireland and the plantations, both the grandeur of the state and the prosperity of every part of the empire would probably be still greater than at present.[1]

In France, the different revenue laws which take place in the different provinces require a multitude of revenue officers to surround not only the frontiers of the kingdom but those of almost each particular province, in order either to prevent the importation of certain goods, or to subject it to the payment of certain duties, to the no small interruption of the interior commerce of the country. Some provinces are allowed to compound for the gabelle or salt-tax; others are exempted from it altogether. Some provinces are exempted from the exclusive sale of tobacco, which the farmers generally enjoy through the greater part of the kingdom. The aides, which correspond to the excise in England, are very different in different provinces. Some provinces are exempted from them, and pay a composition or equivalent. In those in which they take place and are in farm, there are many local duties which do not extend beyond a particular town or district. The traites, which correspond to our customs, divide the kingdom into three great parts: first, the provinces subject to the tariff of 1664, which are called the provinces of the five great farms, and under which are comprehended Picardy, Normandy, and the greater part of the interior provinces of the kingdom; secondly, the provinces subject to the tariff of 1667, which are called the provinces reckoned foreign, and under which are comprehended the greater part of the frontier provinces; and, thirdly, those provinces which are said to be treated as foreign, or which, because they are allowed a free commerce with foreign countries, are, in their commerce with the other provinces of France, subjected to the same duties as other foreign countries. These are Alsace, the three bishopries of Mentz, Toul, and Verdun, and the three cities of Dunkirk, Bayonne, and Marseilles. Both in the provinces of the five great farms, (called so on account of an ancient division of the duties of customs into five great branches, each of which was originally the subject of a particular farm, though they are now all united into one,) and in those which are said to be reckoned foreign, there are many local duties which do not extend beyond a particular town or district. There are some such even in the provinces which are said to be treated as foreign, particularly in the city of Marseilles. It is unnecessary to observe how much, both the restraints upon the interior commerce of the country, and the number of the revenue officers, must be multiplied, in order to guard the frontiers of those different provinces and districts which are subject to such different systems of taxation.[2]

Over and above the general restraints arising from this complicated system of revenue laws, the commerce of wine, after corn perhaps the most important production of France, is, in the greater part of the provinces, subject to particular restraints, arising from the favour which has been shown to the vineyards of particular provinces and districts, above those of others. The provinces most famous for their wines it will be found, I believe, are those in which the trade in that article is subject to the fewest restraints of this kind. The extensive market which such provinces enjoy, encourages good management both in the cultivation of their vineyards, and in the subsequent preparation of their wines.[3]

Such various and complicated revenue laws are not peculiar to France. The little dutchy of Milan is divided into six provinces, in each of which there is a different system of taxation with regard to several different sorts of consumable goods. The still smaller territories of the duke of Parma are divided into three or four, each of which has, in the same manner, a system of its own. Under such absurd management, nothing but the great fertility of the soil, and happiness of the climate, could preserve such countries from soon relapsing into the lowest state of poverty and barbarism.

Taxes upon consumable commodities may either be levied by an administration of which the officers are appointed by government and are immediately accountable to government, of which the revenue must in this case vary from year to year, according to the occasional

[1] Almost all the restrictions on the commerce between Great Britain and Ireland were repealed in 1826. The intercourse between the two countries is now conducted on the principle of a coasting trade.

[2] These distinctions were abolished at the Revolution. The same system of equal taxation is now established in every part of France.

[3] The internal trade of France is now quite free.

variations in the produce of the tax; or they may be let in farm for a rent certain, the farmer being allowed to appoint his own officers, who, though obliged to levy the tax in the manner directed by the law, are under his immediate inspection, and are immediately accountable to him. The best and most frugal way of levying a tax can never be by farm. Over and above what is necessary for paying the stipulated rent, the salaries of the officers, and the whole expense of administration, the farmer must always draw from the produce of the tax a certain profit, proportioned at least to the advance which he makes, to the risk which he runs, to the trouble which he is at, and to the knowledge and skill which it requires to manage so very complicated a concern. Government, by establishing an administration under their own immediate inspection, of the same kind with that which the farmer establishes, might at least save this profit, which is almost always exorbitant. To farm any considerable branch of the public revenue requires either a great capital or a great credit; circumstances which would alone restrain the competition for such an undertaking to a very small number of people. Of the few who have this capital or credit, a still smaller number have the necessary knowledge or experience; another circumstance which restrains the competition still further. The very few who are in condition to become competitors, find it more for their interest to combine together; to become co-partners instead of competitors, and when the farm is set up to auction, to offer no rent but what is much below the real value. In countries where the public revenues are in farm, the farmers are generally the most opulent people. Their wealth would alone excite the public indignation; and the vanity which almost always accompanies such upstart fortunes, the foolish ostentation with which they commonly display that wealth, excites that indignation still more.

The farmers of the public revenue never find the laws too severe, which punish any attempt to evade the payment of a tax. They have no bowels for the contributors, who are not their subjects, and whose universal bankruptcy, if it should happen the day after their farm is expired, would not much affect their interest. In the greatest exigencies of the state, when the anxiety of the sovereign for the exact payment of his revenue is necessarily the greatest, they seldom fail to complain that without laws more rigorous than those which actually take place, it will be impossible for them to pay even the usual rent. In those moments of public distress their demands cannot be disputed. The revenue laws, therefore, become gradually more and more severe. The most sanguinary are always to be found in countries where the greater part of the public revenue is in farm; the mildest, in countries where it is levied under the immediate inspection of the sovereign. Even a bad sovereign feels more compassion for his people than can ever be expected from the farmers of his revenue. He knows that the permanent grandeur of his family depends upon the prosperity of his people, and he will never knowingly ruin that prosperity for the sake of any momentary interest of his own. It is otherwise with the farmers of his revenue, whose grandeur may frequently be the effect of the ruin, and not of the prosperity of his people.

A tax is sometimes not only farmed for a certain rent, but the farmer has, besides, the monopoly of the commodity taxed. In France, the duties upon tobacco and salt are levied in this manner. In such cases the farmer, instead of one, levies two exorbitant profits upon the people: the profit of the farmer, and the still more exorbitant one of the monopolist. Tobacco being a luxury, every man is allowed to buy or not to buy as he chooses. But salt being a necessary, every man is obliged to buy of the farmer a certain quantity of it; because if he did not buy this quantity of the farmer, he would, it is presumed, buy it of some smuggler. The taxes upon both commodities are exorbitant. The temptation to smuggle, consequently, is to many people irresistible; while at the same time the rigour of the law, and the vigilance of the farmer's officers, render the yielding to that temptation almost certainly ruinous. The smuggling of salt and tobacco sends every year several hundred people to the galleys, besides a very considerable number whom it sends to the gibbet. Those taxes levied in this manner yield a very considerable revenue to government. In 1767, the farm of tobacco was let for twenty-two millions five hundred and forty-one thousand two hundred and seventy-eight livres a year; that of salt, for thirty-six millions four hundred and ninety-two thousand four hundred and four livres. The farm in both cases was to commence in 1768, and to last for six years. Those who consider the blood of the people as nothing in comparison with the revenue of the prince may perhaps approve of this method of levying taxes. Similar taxes and monopolies of salt and tobacco have been established in many other countries, particularly in the Austrian and Prussian dominions, and in the greater part of the states of Italy.

In France, the greater part of the actual revenue of the crown is derived from eight different sources: the taille, the capitation, the two vingtiemes, the gabelles, the aides, the traites, the domaine, and the farm of tobacco. The five last are, in the greater part of the provinces, under farm. The three

first are everywhere levied by an administration under the immediate inspection and direction of government; and it is universally acknowledged that, in proportion to what they take out of the pockets of the people, they bring more into the treasury of the prince than the other five, of which the administration is much more wasteful and expensive.

The finances of France seem, in their present state, to admit of three very obvious reformations; first, by abolishing the taille and the capitation, and by increasing the number of vingtiemes, so as to produce an additional revenue equal to the amount of those other taxes, the revenue of the crown might be preserved; the expense of collection might be much diminished; the vexation of the inferior ranks of people, which the taille and capitation occasion, might be entirely prevented; and the superior ranks might not be more burdened than the greater part of them are at present. The vingtieme, I have already observed, is a tax very nearly of the same kind with what is called the land-tax of England. The burden of the taille, it is acknowledged, falls finally upon the proprietors of land; and as the greater part of the capitation is assessed upon those who are subject to the taille at so much a pound of that other tax, the final payment of the greater part of it must likewise fall upon the same order of people. Though the number of the vingtiemes, therefore, was increased so as to produce an additional revenue equal to the amount of both those taxes, the superior ranks of people might not be more burdened than they are at present. Many individuals, no doubt, would, on account of the great inequalities with which the taille is commonly assessed upon the estates and tenants of different individuals. The interest and opposition of such favoured subjects are the obstacles most likely to prevent this or any other reformation of the same kind. Secondly, by rendering the gabelle, the aides, the traites, the taxes upon tobacco, all the different customs and excises, uniform in all the different parts of the kingdom, those taxes might be levied at much less expense, and the interior commerce of the kingdom might be rendered as free as that of England. Thirdly and lastly, by subjecting all those taxes to an administration under the immediate inspection and direction of government, the exorbitant profits of the farmers general might be added to the revenue of the state. The opposition arising from the private interest of individuals is likely to be as effectual for preventing the two last as the first-mentioned scheme of reformation.[1]

The French system of taxation seems, in every respect, inferior to the British. In Great Britain, ten millions sterling are annually levied upon less than eight millions of people, without its being possible to say that any particular order is oppressed. From the collections of the Abbé Expilly, and the observations of the author of the Essay upon the Legislation and Commerce of Corn, it appears probable that France, including the provinces of Lorraine and Bar, contains about twenty-three or twenty-four millions of people—three times the number, perhaps, contained in Great Britain. The soil and climate of France are better than those of Great Britain. The country has been much longer in a state of improvement and cultivation, and is, upon that account, better stocked with all those things which it requires a long time to raise up and accumulate, such as great towns, and convenient and well-built houses, both in town and country. With these advantages, it might be expected that in France a revenue of thirty millions might be levied for the support of the state, with as little inconveniency as a revenue of ten millions is in Great Britain. In 1765 and 1766, the whole revenue paid into the treasury of France, according to the best, though, I acknowledge, very imperfect, accounts which I could get of it, usually run between 308 and 325 millions of livres; that is, it did not amount to fifteen millions sterling; not the half of what might have been expected, had the people contributed in the same proportion to their numbers as the people of Great Britain.[2] The people of France, however, it is generally acknowledged, are much more oppressed by taxes than the people of Great Britain. France, however, is certainly the great empire in Europe which, after that of Great Britain, enjoys the mildest and most indulgent government.

[1] Taxes in France are now placed almost on the footing suggested by Smith. The taille and capitation have been abolished, and replaced by the *contribution foncière*; the different taxes have been rendered equal throughout the kingdom, and they are chiefly collected by officers appointed by government.

[2] The gross revenue of France may (1863) be estimated at about 1,900 millions fr., collected at the rate of about 10 per cent. We subjoin an account showing the gross income of the French empire in 1856, with the expense of collection, &c.:—

Taxes.	Receipts.	Gross Expense of Collection.	Rate per Cent. of Expense of Collection.
	fr.	fr.	
Direct Taxes	448,401,429	16,710,647	3·7
Demesnes	17,135,137	12,487,265	3·4
Registration and Stamps	341,110,963		
Forests and Fisheries	26,847,209	6,877,938	18·4
Customs and Salt Works	213,119,919	94,608,653	22·3
Excise	423,342,900		
Post Office	55,794,550	35,409,613	63·4
	*1,535,752,107	166,094,116	10·7

* The above, with other sums collected for departmental expenses, sinking fund, and extraordinary resources, made a grand total of 1,913,002,149 fr.

This is a very large revenue, but being fairly distributed, and affecting all classes, it is not half so oppressive as the taxation of less than a fourth part of the amount referred to by Smith. At present (1863) the law of equal succession is the only great drawback on the prosperity of France. The reader will find in the Supplemental Note on the disposal of property by will, an account of that law, and of its practical influence

In Holland, the heavy taxes upon the necessaries of life have ruined, it is said, their principal manufactures, and are likely to discourage, gradually, even their fisheries and their trade in ship-building. The taxes upon the necessaries of life are inconsiderable in Great Britain, and no manufacture has hitherto been ruined by them. The British taxes which bear hardest on manufactures are some duties upon the importation of raw materials, particularly upon that of raw silk. The revenue of the states general and of the different cities, however, is said to amount to more than five millions two hundred and fifty thousand pounds sterling; and as the inhabitants of the United Provinces cannot well be supposed to amount to more than a third part of those of Great Britain, they must, in proportion to their number, be much more heavily taxed.

After all the proper subjects of taxation have been exhausted, if the exigencies of the state still continue to require new taxes, they must be imposed upon improper ones. The taxes upon the necessaries of life, therefore, may be no impeachment of the wisdom of that republic, which, in order to acquire and to maintain its independency, has, in spite of its great frugality, been involved in such expensive wars as have obliged it to contract great debts. The singular countries of Holland and Zealand, besides, require a considerable expense even to preserve their existence, or to prevent their being swallowed up by the sea, which must have contributed to increase considerably the load of taxes in those two provinces. The republican form of government seems to be the principal support of the present grandeur of Holland. The owners of great capitals, the great mercantile families, have generally either some direct share or some indirect influence in the administration of that government. For the sake of the respect and authority which they derive from this situation, they are willing to live in a country where their capital, if they employ it themselves, will bring them less profit, and if they lend it to another, less interest; and where the very moderate revenue which they can draw from it will purchase less of the necessaries and conveniences of life than in any other part of Europe. The residence of such wealthy people necessarily keeps alive, in spite of all disadvantages, a certain degree of industry in the country. Any public calamity which should destroy the republican form of government, which should throw the whole administration into the hands of nobles and of soldiers, which should annihilate altogether the importance of those wealthy merchants, would soon render it disagreeable to them to live in a country where they were no longer likely to be much respected. They would remove both their residence and their capital to some other country, and the industry and commerce of Holland would soon follow the capitals which supported them.

CHAP. III.

Of Public Debts.

In that rude state of society which precedes the extension of commerce and the improvement of manufactures, when those expensive luxuries which commerce and manufactures can alone introduce are altogether unknown, the person who possesses a large revenue, I have endeavoured to show in the third book of this Inquiry, can spend or enjoy that revenue in no other way than by maintaining nearly as many people as it can maintain. A large revenue may at all times be said to consist in the command of a large quantity of the necessaries of life. In that rude state of things it is commonly paid in a large quantity of those necessaries, in the materials of plain food and coarse clothing, in corn and cattle, in wool and raw hides. When neither commerce nor manufactures furnish any thing for which the owner can exchange the greater part of those materials which are over and above his own consumption, he can do nothing with the surplus but feed and clothe nearly as many people as it will feed and clothe. A hospitality in which there is no luxury, and a liberality in which there is no ostentation, occasion, in this situation of things, the principal expenses of the rich and the great. But these, I have likewise endeavoured to show in the same book, are expenses by which people are not very apt to ruin themselves. There is not, perhaps, any selfish pleasure so frivolous, of which the pursuit has not sometimes ruined even sensible men: a passion for cock-fighting has ruined many. But the instances, I believe, are not very numerous of people who have been ruined by a hospitality or liberality of this kind; though the hospitality of luxury and the liberality of ostentation have ruined many. Among our feudal ancestors, the long time during which estates used to continue in the same family, sufficiently demonstrates the general disposition of people to live within their income. Though the rustic hospitality, constantly exercised by the great landholders, may not to us in the present times seem consistent with that order which we are apt to consider as inseparably connected with good economy, yet we must certainly allow them to have been at least so far frugal as not commonly to have spent their whole income. A part of their wool and raw hides they had generally an opportunity of selling for money. Some

part of this money, perhaps, they spent in purchasing the few objects of vanity and luxury with which the circumstances of the times could furnish them: but some part of it they seem commonly to have hoarded. They could not well indeed do any thing else but hoard whatever money they saved. To trade was disgraceful to a gentleman, and to lend money at interest, which at that time was considered as usury, and prohibited by law, would have been still more so. In those times of violence and disorder, besides, it was convenient to have a hoard of money at hand, that in case they should be driven from their own home, they might have something of known value to carry with them to some place of safety. The same violence which made it convenient to hoard made it equally convenient to conceal the hoard. The frequency of treasure-trove, or of treasure found of which no owner was known, sufficiently demonstrates the frequency in those times both of hoarding and of concealing the hoard. Treasure-trove was then considered as an important branch of the revenue of the sovereign. All the treasure-trove of the kingdom would scarce perhaps in the present times make an important branch of the revenue of a private gentleman of a good estate.

The same disposition to save and to hoard prevailed in the sovereign, as well as in the subjects. Among nations to whom commerce and manufactures are little known, the sovereign, it has already been observed in the fourth book, is in a situation which naturally disposes him to the parsimony requisite for accumulation. In that situation the expense even of a sovereign cannot be directed by that vanity which delights in the gaudy finery of a court. The ignorance of the times affords but few of the trinkets in which that finery consists. Standing armies are not then necessary; so that the expense even of a sovereign, like that of any other great lord, can be employed in scarce any thing but bounty to his tenants and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance, though vanity almost always does. All the ancient sovereigns of Europe, accordingly, it has already been observed, had treasures: every Tartar chief in the present times is said to have one.

In a commercial country abounding with every sort of expensive luxury, the sovereign, in the same manner as almost all the great proprietors in his dominions, naturally spends a great part of his revenue in purchasing those luxuries. His own and the neighbouring countries supply him abundantly with all the costly trinkets which compose the splendid, but insignificant pageantry of a court. For the sake of an inferior pageantry of the same kind, his nobles dismiss their retainers, make their tenants independent, and become gradually themselves as insignificant as the greater part of the wealthy burghers in his dominions. The same frivolous passions which influence their conduct influence his. How can it be supposed that he should be the only rich man in his dominions who is insensible to pleasures of this kind? If he does not, what he is very likely to do, spend upon those pleasures so great a part of his revenue as to debilitate very much the defensive power of the state, it cannot well be expected that he should not spend upon them all that part of it which is over and above what is necessary for supporting that defensive power. His ordinary expense becomes equal to his ordinary revenue, and it is well if it does not frequently exceed it. The amassing of treasure can no longer be expected, and when extraordinary exigencies require extraordinary expenses, he must necessarily call upon his subjects for an extraordinary aid. The present and the late king of Prussia are the only great princes of Europe who, since the death of Henry IV. of France, in 1610, are supposed to have amassed any considerable treasure. The parsimony which leads to accumulation has become almost as rare in republican as in monarchical governments. The Italian republics, the United Provinces of the Netherlands, are all in debt. The canton of Berne is the single republic in Europe which has amassed any considerable treasure: the other Swiss republics have not. The taste for some sort of pageantry, for splendid buildings, at least, and other public ornaments, frequently prevails as much in the apparently sober senate-house of a little republic as in the dissipated court of the greatest king.

The want of parsimony in time of peace, imposes the necessity of contracting debt in time of war. When war comes, there is no money in the treasury but what is necessary for carrying on the ordinary expense of the peace establishment. In war an establishment of three or four times that expense becomes necessary for the defence of the state, and consequently a revenue three or four times greater than the peace revenue. Supposing that the sovereign should have—what he scarce ever has—the immediate means of augmenting his revenue in proportion to the augmentation of his expense, yet still the produce of the taxes, from which this increase of revenue must be drawn, will not begin to come into the treasury till perhaps ten or twelve months after they are imposed; but the moment in which war begins, or rather the moment in which it appears likely to begin, the army must be augmented, the fleet must be fitted out, the garrisoned towns must be put into a posture of defence; that army, that fleet, those garrisoned towns, must be furnished with arms, ammunition, and provisions: an immediate and great expense must be incurred

in that moment of immediate danger, which will not wait for the gradual and slow returns of the new taxes. In this exigency government can have no other resource but in borrowing.

The same commercial state of society which, by the operation of moral causes, brings government in this manner into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings with it the facility of doing so.

A country abounding with merchants and manufacturers necessarily abounds with a set of people through whose hands not only their own capitals, but the capitals of all those who adher lend them money or trust them with goods, pass as frequently, or more frequently than the revenue of a private man, who, without trade or business, lives upon his income, passes through his hands. The revenue of such a man can regularly pass through his hands only once in a year; but the whole amount of the capital and credit of a merchant, who deals in a trade of which the returns are very quick, may sometimes pass through his hands two, three, or four times in a year. A country abounding with merchants, and manufacturers, therefore, necessarily abounds with a set of people who have it at all times in their power to advance, if they choose to do so, a very large sum of money to government. Hence the ability in the subjects of a commercial state to lend.

Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice; in which the people do not feel themselves secure in the possession of their property; in which the faith of contracts is not supported by law; and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government. The same confidence which disposes great merchants and manufacturers, upon ordinary occasions, to trust their property to the protection of a particular government, disposes them, upon extraordinary occasions, to trust that government with the use of their property. By lending money to government, they do not even for a moment diminish their ability to carry on their trade and manufactures; on the contrary, they commonly augment it. The necessities of the state render government, upon most occasions, willing to borrow upon terms extremely advantageous to the lender. The security which it grants to the original creditor is made transferable to any other creditor, and, from the universal confidence in the justice of the state, generally sells in the market for more than was originally paid for it. The merchant or monied man makes money by lending money to government, and instead of diminishing, increases his trading capital. He generally considers it as a favour, therefore, when the administration admits him to a share in the first subscription for a new loan. Hence the inclination or willingness in the subjects of a commercial state to lend.

The government of such a state is very apt to repose itself upon this ability and willingness of its subjects to lend their money on extraordinary occasions. It foresees the facility of borrowing, and therefore dispenses itself from the duty of saving.

In a rude state of society there are no great mercantile or manufacturing capitals. The individuals who hoard whatever money they can save, and who conceal their hoard, do so from a distrust of the justice of government, from a fear that if it was known that they had a hoard, and where that hoard was to be found, they would quickly be plundered. In such a state of things few people would be able, and nobody would be willing, to lend their money to government on extraordinary exigencies. The sovereign feels that he must provide for such exigencies by saving, because he foresees the absolute impossibility of borrowing. This foresight increases still further his natural disposition to save.

The progress of the enormous debts which at present oppress, and will in the long run probably ruin, all the great nations of Europe, has been pretty uniform. Nations, like private men, have generally begun to borrow upon what may be called personal credit, without assigning or mortgaging any particular fund for the payment of the debt; and when this resource has failed them, they have gone on to borrow upon assignments or mortgages of particular funds.

What is called the unfunded debt of Great Britain is contracted in the former of those two ways. It consists partly in a debt which bears, or is supposed to bear, no interest, and which resembles the debts that a private man contracts upon account; and partly in a debt which bears interest, and which resembles what a private man contracts upon his bill or promissory note. The debts which are due either for extraordinary services, or for services either not provided for or not paid at the time when they are performed; part of the extraordinaries of the army, navy, and ordnance, the arrears of subsidies to foreign princes, those of seamen's wages, &c. usually constitute a debt of the first kind. Navy and exchequer bills, which are issued sometimes in payment of a part of such debts, and sometimes for other pur-

poses, constitute a debt of the second kind; exchequer bills bearing interest from the day on which they are issued, and navy bills six months after they are issued. The Bank of England, either by voluntarily discounting those bills at their current value, or by agreeing with government for certain considerations to circulate exchequer bills, that is, to receive them at par, paying the interest which happens to be due upon them, keeps up their value and facilitates their circulation, and thereby frequently enables government to contract a very large debt of this kind. In France, where there is no bank, the state bills (billets d'état[1]) have sometimes sold at sixty and seventy per cent. discount. During the great recoinage in King William's time, when the Bank of England thought proper to put a stop to its usual transactions, exchequer bills and tallies are said to have sold from twenty-five to sixty per cent. discount; owing partly, no doubt, to the supposed instability of the new government established by the revolution, but partly too to the want of the support of the Bank of England.

When this resource is exhausted, and it becomes necessary, in order to raise money, to assign or mortgage some particular branch of the public revenue for the payment of the debt, government has, upon different occasions, done this in two different ways: sometimes it has made this assignment or mortgage for a short period of time only, a year, or a few years, for example; and sometimes for perpetuity. In the one case the fund was supposed sufficient to pay, within the limited time, both principal and interest of the money borrowed. In the other it was supposed sufficient to pay the interest only, or a perpetual annuity equivalent to the interest, government being at liberty to redeem at any time this annuity, upon paying back the principal sum borrowed. When money was raised in the one way, it was said to be raised by anticipation; when in the other, by perpetual funding, or, more shortly, by funding.

In Great Britain, the annual land and malt taxes are regularly anticipated every year, by virtue of a borrowing clause constantly inserted into the acts which impose them. The Bank of England generally advances at an interest, which, since the revolution, has varied from eight to three per cent., the sums for which those taxes are granted, and receives payment as their produce gradually comes in. If there is a deficiency, which there always is, it is provided for in the supplies of the ensuing year. The only considerable branch of the public revenue which yet remains unmortgaged, is thus regularly spent before it comes in. Like an improvident spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its own factors and agents, and of paying interest for the use of its own money.

In the reign of King William, and during a great part of that of Queen Anne, before we had become so familiar as we are now with the practice of perpetual funding, the greater part of the new taxes were imposed but for a short period of time, (for four, five, six, or seven years only,) and a great part of the grants of every year consisted in loans upon anticipations of the produce of those taxes. The produce being frequently insufficient for paying, within the limited term, the principal and interest of the money borrowed, deficiencies arose, to make good which, it became necessary to prolong the term.

In 1697, by the 8th of William III. c. 20. the deficiencies of several taxes were charged upon what was then called the first general mortgage or fund, consisting of a prolongation to the first of August 1706, of several different taxes, which would have expired within a shorter term, and of which the produce was accumulated into one general fund. The deficiencies charged upon this prolonged term amounted to 5,160,459*l.* 14*s.* 9¼*d.*

In 1701, those duties, with some others, were still further prolonged for the like purposes till the first of August 1710, and were called the second general mortgage or fund. The deficiencies charged upon it amounted to 2,055,999*l.* 7*s.* 11½*d.*

In 1707, those duties were still further prolonged, as a fund for new loans, to the first of August 1712, and were called the third general mortgage or fund. The sum borrowed upon it was 983,254*l.* 11*s.* 9¼*d.*

In 1708, those duties were all (except the old subsidy of tonnage and poundage, of which one moiety only was made a part of this fund, and a duty upon the importation of Scotch linen, which had been taken off by the articles of union) still further continued, as a fund for new loans, to the first of August 1714, and were called the fourth general mortgage or fund. The sum borrowed upon it was 925,176*l.* 9*s.* 2½*d.*

In 1709, those duties were all (except the old subsidy of tonnage and poundage, which was now left out of this fund altogether) still further continued for the same purpose to the first of August 1716, and were called the fifth general mortgage or fund. The sum borrowed upon it was 922,029*l.* 6*s.*

In 1710, those duties were again prolonged to the first of August 1720, and were called the sixth general mortgage or fund. The sum borrowed upon it was 1,296,552*l.* 9*s.* 11½*d.*

In 1711, the same duties, (which at this

[1] See Examen des Réflexions Politiques sur les Finances.

time were thus subject to four different anticipations,) together with several others, were continued for ever, and made a fund for paying the interest of the capital of the South Sea company, which had that year advanced to government, for paying debts and making good deficiencies, the sum of 9,177,967*l.* 15*s.* 4*d.*; the greatest loan which at that time had ever been made.

Before this period, the principal, and, so far as I have been able to observe, the only taxes which in order to pay the interest of a debt had been imposed for perpetuity, were those for paying the interest of the money which had been advanced to government by the bank and East India company, and of what it was expected would be advanced, but which was never advanced, by a projected land bank. The bank fund at this time amounted to 3,375,027*l.* 17*s.* 10½*d.*, for which was paid an annuity or interest of 206,501*l.* 13*s.* 5*d.* The East India fund amounted to 3,200,000*l.*, for which was paid an annuity or interest of 160 000*l.*; the bank fund being at six per cent., the East India fund at five per cent. interest.

In 1715, by the first of George I. c. 12. the different taxes which had been mortgaged for paying the bank annuity, together with several others which by this act were likewise rendered perpetual, were accumulated into one common fund, called the [illegible]gate fund, which was charged, not [illegible]with the payments of the bank annuity, [illegible]ith several other annuities and burdens [illegible]rent kinds. This fund was afterwards [illegible]ed by the third of George I. c. 8. [illegible]e fifth of George I. c. 3. and the [illegible]duties which were then added to it [illegible]wise rendered perpetual.

[illegible], by the third of George I. c. 7. [illegible]ner taxes were rendered perpetual, [illegible]umulated into another common [illegible]lled the general fund, for the pay[illegible] certain annuities, amounting in the [illegible]to 724,849*l.* 6*s.* 10½*d.*

In consequence of those different acts, the greater part of the taxes which before had been anticipated only for a short term of years were rendered perpetual as a fund for paying, not the capital, but the interest only, of the money which had been borrowed upon them by different successive anticipations.

Had money never been raised but by anticipation, the course of a few years would have liberated the public revenue without any other attention of government besides that of not overloading the fund, by charging it with more debt than it could pay within the limited term, and not of anticipating a second time before the expiration of the first anticipation. But the greater part of European governments have been incapable of those attentions. They have frequently overloaded the fund even upon the first anticipation; and when this happened not to be the case, they have generally taken care to overload it, by anticipating a second and a third time before the expiration of the first anticipation. The fund becoming in this manner altogether insufficient for paying both principal and interest of the money borrowed upon it, it became necessary to charge it with the interest only, or a perpetual annuity equal to the interest; and such improvident anticipations necessarily gave birth to the more ruinous practice of perpetual funding. But though this practice necessarily puts off the liberation of the public revenue from a fixed period to one so indefinite that it is not very likely ever to arrive; yet as a greater sum can in all cases be raised by this new practice than by the old one of anticipations, the former, when men have once become familiar with it, has in the great exigencies of the state been universally preferred to the latter. To relieve the present exigency is always the object which principally interests those immediately concerned in the administration of public affairs. The future liberation of the public revenue they leave to the care of posterity.

During the reign of Queen Anne, the market rate of interest had fallen from six to five per cent.; and in the twelfth year of her reign five per cent. was declared to be the highest rate which could lawfully be taken for money borrowed upon private security. Soon after the greater part of the temporary taxes of Great Britain had been rendered perpetual, and distributed into the aggregate, South Sea, and general funds, the creditors of the public, like those of private persons, were induced to accept of five per cent. for the interest of their money, which occasioned a saving of one per cent. upon the capital of the greater part of the debts which had been thus funded for perpetuity, or of one sixth of the greater part of the annuities which were paid out of the three great funds above mentioned. This saving left a considerable surplus in the produce of the different taxes which had been accumulated into those funds, over and above what was necessary for paying the annuities which were now charged upon them, and laid the foundation of what has since been called the sinking fund. In 1717, it amounted to 323,434*l.* 7*s.* 7½*d.* In 1727, the interest of the greater part of the public debts was still further reduced to four per cent.; and in 1753 and 1757, to three and a half and three per cent.; which reductions still further augmented the sinking fund.

A sinking fund though instituted for the payment of old, facilitates very much the contracting of new debts. It is a subsidiary fund always at hand to be mortgaged in aid

of any other doubtful fund, upon which money is proposed to be raised in any exigency of the state. Whether the sinking fund of Great Britain has been more frequently applied to the one or to the other of those two purposes, will sufficiently appear by and by.

Besides those two methods of borrowing, by anticipations and by perpetual funding, there are two other methods, which hold a sort of middle place between them: these are, that of borrowing upon annuities for terms of years, and that of borrowing upon annuities for lives.

During the reigns of King William and Queen Anne large sums were frequently borrowed upon annuities for terms of years, which were sometimes longer and sometimes shorter. In 1693, an act was passed for borrowing one million upon an annuity of fourteen per cent., or 140,000*l.* a year for sixteen years. In 1691, an act was passed for borrowing a million upon annuities for lives, upon terms which, in the present times, would appear very advantageous. But the subscription was not filled up. In the following year the deficiency was made good by borrowing upon annuities for lives at fourteen per cent., or at little more than seven years' purchase. In 1695, the persons who had purchased those annuities were allowed to exchange them for others of ninety-six years, upon paying into the exchequer sixty-three pounds in the hundred; that is, the difference between fourteen per cent. for life, and fourteen per cent. for ninety-six years, was sold for sixty-three pounds, or for four and a half years' purchase. Such was the supposed instability of government, that even these terms procured few purchasers. In the reign of Queen Anne, money was, upon different occasions, borrowed both upon annuities for lives, and upon annuities for terms of thirty-two, of eighty-nine, of ninety-eight, and of ninety-nine years. In 1719, the proprietors of the annuities for thirty-two years were induced to accept in lieu of them South Sea stock to the amount of eleven and a half years' purchase of the annuities, together with an additional quantity of stock equal to the arrears which happened then to be due upon them. In 1720, the greater part of the other annuities for terms of years, both long and short, were subscribed into the same fund. The long annuities at that time amounted to 666,821*l.* 8*s.* 3½*d.* a year: on the 5th of January 1775, the remainder of them, or what was not subscribed at that time, amounted to 136,453*l.* 12*s.* 8*d.*

During the two wars which begun in 1739 and in 1755, little money was borrowed either upon annuities for terms of years or upon those for lives. An annuity for ninety-eight or ninety-nine years, however, is worth nearly as much as a perpetuity, and should, therefore, one might think, be a fund for borrowing nearly as much; but those who, in order to make family settlements, and to provide for remote futurity, buy into the public stocks, would not care to purchase into one of which the value was continually diminishing: and such people make a very considerable proportion both of the proprietors and purchasers of stock. An annuity for a long term of years, therefore, though its intrinsic value may be very nearly the same with that of a perpetual annuity, will not find nearly the same number of purchasers. The subscribers to a new loan, who mean generally to sell their subscription as soon as possible, prefer greatly a perpetual annuity redeemable by parliament, to an irredeemable annuity for a long term of years of only equal amount. The value of the former may be supposed always the same, or very nearly the same; and it makes, therefore, a more convenient transferable stock than the latter.

During the two last-mentioned wars, annuities, either for terms of years or for lives, were seldom granted but as premiums to the subscribers to a new loan, over and above the redeemable annuity or interest upon the credit of which the loan was supposed to be made. They were granted, not as the proper fund upon which the money was borrowed, but as an additional encouragement to the lender.

Annuities for lives have occasionally been granted in two different ways: either upon separate lives, or upon lots of lives, which French are called tontines, from their inventor. When annuities are granted upon separate lives, the death of each individual annuitant disburdens the revenue so far as it was affected by him. When annuities are granted upon the liberation of the public revenue, commence till the death of all the persons comprehended in one lot, which may sometimes consist of twenty or thirty persons, whom the survivors succeed to the annuities of all those who die before them; the last survivor succeeding to the annuities of the whole lot. Upon the same revenue more money can always be raised by tontines than by annuities for separate lives. An annuity with a right of survivorship, is really worth, more than an equal annuity for a separate life; and, from the confidence which every man naturally has in his own good fortune, the principle upon which is founded the success of all lotteries, such an annuity generally sells for something more than it is worth. In countries where it is usual for government to raise money by granting annuities, tontines are, upon this account, generally preferred to annuities for separate lives. The expedient which will raise most money, is almost always preferred to that which is

likely to bring about in the speediest manner the liberation of the public revenue.

In France a much greater proportion of the public debts consists in annuities for lives than in England. According to a memoir presented by the parliament of Bordeaux to the king in 1764, the whole public debt of France is estimated at twenty-four hundred millions of livres; of which the capital for which annuities for lives had been granted is supposed to amount to three hundred millions, the eighth part of the whole public debt. The annuities themselves are supposed to amount to thirty millions a year, the fourth part of one hundred and twenty millions, the supposed interest of that capital. These estimations, I know very well, are not exact; but having been presented by a very respectable body as approximations to the truth, they may, I apprehend, be considered as such. It is not the different degree of anxiety in the two governments of France and England for the liberation of the public revenue which occasions this difference in their respective modes of borrowing. This arises altogether from the different views and interests of the lenders.

In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it, they do not mean to diminish, but on the contrary, to increase their mercantile capitals; and unless they expected to make some profit their share in the subscription for a new loan, they never would subscribe. But if by advancing their money they could purchase, instead of perpetual annuities for lives only, whether their own or those of other people, they would always be so likely to sell them with profit. Annuities upon their own lives would always sell with loss; because no man will give for an annuity upon the life of another, whose age and state of health were nearly the same with his own, the whole value which he would give for one upon his own life. An annuity upon the life of a young man, indeed, is no doubt of equal value to the buyer and the seller; but its real value begins to diminish from the moment it is granted, and continues to do so more and more as long as it subsists. It can never, therefore, make so convenient a transferable stock as a perpetual annuity, of which the real value may be supposed always the same, or very nearly the same.

In France, the seat of government not being in a great mercantile city, merchants do not make so great a proportion of the people who advance money to government. The people concerned in the finances, the farmers general, the receivers of the taxes which are not in farm, the court bankers, &c., make the greater part of those who advance their money in all public exigencies. Such people are commonly men of mean birth, but of great wealth, and frequently of great pride. They are too proud to marry their equals, and women of quality disdain to marry them. They frequently resolve, therefore, to live bachelors; and having neither any families of their own nor much regard for those of their relations, whom they are not always very fond of acknowledging, they desire only to live in splendour during their own time, and are not unwilling that their fortunes should end with themselves. The number of rich people, besides, who are either averse to marry, or whose condition of life renders it either improper or inconvenient for them to do so, is much greater in France than in England. To such people, who have little or no care for posterity, nothing can be more convenient than to exchange their capital for a revenue, which is to last just as long and no longer than they wish it to do.

The ordinary expense of the greater part of modern governments in time of peace being equal or nearly equal to their ordinary revenue, when war comes, they are both unwilling and unable to increase their revenue in proportion to the increase of their expense. They are unwilling, for fear of offending the people, who, by so great and so sudden an increase of taxes, would soon be disgusted with the war; and they are unable, from not well knowing what taxes would be sufficient to produce the revenue wanted. The facility of borrowing delivers them from the embarrassment which this fear and inability would otherwise occasion. By means of borrowing they are enabled, with a very moderate increase of taxes, to raise from year to year money sufficient for carrying on the war; and by the practice of perpetual funding, they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires, the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconveniency from the war, but enjoy at their ease the amusement of reading in the newspapers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to this amusement, and to a thousand visionary hopes of conquest and national glory, from a longer continuance of the war.

The return of peace, indeed, seldom relieves them from the greater part of the taxes imposed during the war. These are mortgaged for the interest of the debt con-

tracted in order to carry it on. If, over and above paying the interest of this debt, and defraying the ordinary expense of government, the old revenue, together with the new taxes, produce some surplus revenue, it may perhaps be converted into a sinking fund for paying off the debt. But, in the first place, this sinking fund, even supposing it should be applied to no other purpose, is generally altogether inadequate for paying, in the course of any period during which it can reasonably be expected that peace should continue, the whole debt contracted during the war; and, in the second place, this fund is always applied to other purposes.

The new taxes were imposed for the sole purpose of paying the interest of the money borrowed upon them. If they produce more, it is generally something which was neither intended nor expected, and is therefore seldom very considerable. Sinking funds have generally arisen not so much from any surplus of the taxes which was over and above what was necessary for paying the interest or annuity originally charged upon them as from a subsequent reduction of that interest. That of Holland in 1655, and that of the ecclesiastical state in 1685, were both formed in this manner. Hence the usual insufficiency of such funds.

During the most profound peace, various events occur which require an extraordinary expense, and government finds it always more convenient to defray this expense by misapplying the sinking fund than by imposing a new tax. Every new tax is immediately felt more or less by the people. It occasions always some murmur, and meets with some opposition. The more taxes may have been multiplied, the higher they may have been raised upon every different subject of taxation; the more loudly the people complain of every new tax, the more difficult it becomes, too, either to find out new subjects of taxation or to raise much higher the taxes already imposed upon the old. A momentary suspension of the payment of debt is not immediately felt by the people, and occasions neither murmur nor complaint. To borrow of the sinking fund is always an obvious and easy expedient for getting out of the present difficulty. The more the public debts may have been accumulated, the more necessary it may have become to study to reduce them, the more dangerous, the more ruinous it may be to misapply any part of the sinking fund,—the less likely is the public debt to be reduced to any considerable degree, the more likely, the more certainly is the sinking fund to be misapplied towards defraying all the extraordinary expenses which occur in time of peace. When a nation is already overburdened with taxes, nothing but the necessities of a new war—nothing but either the animosity of national vengeance, or the anxiety for national security, can induce the people to submit, with tolerable patience, to a new tax. Hence the usual misapplication of the sinking fund.

In Great Britain, from the time that we had first recourse to the ruinous expedient of perpetual funding, the reduction of the public debt in time of peace has never borne any proportion to its accumulation in time of war. It was in the war which began in 1688, and was concluded by the treaty of Ryswick in 1697, that the foundation of the present enormous debt of Great Britain was laid.

On the 31st of December 1697, the debts of Great Britain, funded and [illegible] amounted to 21,515,742*l.* 13*s.* 8½*d.* part of those debts had been contracted short anticipations, and some part annuities for lives; so that before the December 1701, in less than four years had partly been paid off, and part to the public, the sum of 5,121,041*l.* a greater reduction of the public debt has ever since been brought about in a period of time. The remaining debt, therefore, amounted only to 16,394,701*l.* 1[illegible]

In the war which began in 170[illegible] which was concluded by the treaty of Utrecht the public debts were still more accumulated. On the 31st of December 1714, they amounted to 53,681,076*l.* 5*s.* 6½*d.* The subscription into the South Sea fund of the short and long annuities increased the capital of the public debts, so that on the 31st of December 1722 it amounted to 55,282,978[illegible] The reduction of the debt began [illegible] and went on so slowly that on the 31st of December 1739, during 17 years of profound peace, the whole sum paid off was no more than 8,328,354*l.* 17*s.* 11¾*d.*; that is, of the public debt at that time [illegible] to 46,954,623*l.* 3*s.* 4⅞*d.*

The Spanish war, which began in 1739, and the French war which soon followed it, occasioned a further increase of the debt, which, on the 31st of December 1748, when the war had been concluded by the peace of Aix-la-Chapelle, amounted to 78,293,31[illegible] 1*s.* 10¾*d.* The most profound peace of seventeen years' continuance had taken no more than 8,328,954*l.* 17*s.* 11¾*d.* from it. A war of less than nine years' continuance added 31,338,689*l.* 18*s.* 6⅛*d.* to it.[1]

During the administration of Mr. Pelham, the interest of the public debt was reduced or at least measures were taken for reducing it, from four to three per cent.; the sinking fund was increased, and some part of the public debt was paid off. In 1755, before the breaking out of the late war, the funded debt of Great Britain amounted to 72,289,673*l.*

[1] See James Postlethwaite's History of the Public Revenue

On the 5th of January 1763, at the conclusion of the peace, the funded debt amounted to 122,603,336*l.* 8*s.* 2½*d.* The unfunded debt has been stated at 13,927,589*l.* 2*s.* 2*d.* But the expense occasioned by the war did not end with the conclusion of the peace; so that though on the fifth of January 1764 the funded debt was increased (partly by a new loan, and partly by funding a part of the unfunded debt) to 129,586,789*l.* 10*s.* 1⅓*d.* re still remained (according to the very l informed author of "Considerations on ade and Finances of Great Britain") nded debt, which was brought to in that and the following year, of 7*l.* 12*s.* 2½⅓*d.* In 1764, therefore, e debt of Great Britain, funded and together, amounted, according to to 139,516,807*l.* 2*s.* 4*d.* The lives too, which had been niums to the subscribers to 1757, estimated at fourteen e, were valued at 472,500*l.*; ities for long terms of years, premiums likewise, in 1761 and nated at 27½ years' purchase, were at 6,826,875*l.* During a peace of seven years' continuance, the prudent ly patriot administration of Mr. Pelwas not able to pay off an old debt of illions. During a war of nearly the continuance, a new debt of more than -five millions was contracted.

5th of January 1775 the funded debt Britain amounted to 124,996,086*l.* e unfunded, exclusive of a large t, to 4,150,236*l.* 3*s.* 11½*d.* Both 129,146,322*l.* 5*s.* 6*d.* According the whole debt paid off duprofound peace amounted 74*l.* 16*s.* 9⅗*d.* Even this of debt, however, has not from the savings out of the e of the state. Several exaltogether independent of that ue, have contributed towards t these we may reckon an addiing in the pound land-tax for three two millions received from the st India company, as indemnification for their territorial acquisitions; and the one hundred and ten thousand pounds received from the bank for the renewal of their charter. To these must be added several other sums, which, as they arose out of the late war, ought perhaps to be considered as deductions from the expenses of it. The principal are, —

The produce of French prizes	£690,449	18	9
Composition for French prisoners	670,000	0	0
What has been received from the sale of the ceded islands	95,500	0	0
Total,	£1,455,949	18	9

If we add to this sum the balance of the earl of Chatham's and Mr. Calcraft's accounts, and other army savings of the same kind, together with what has been received from the bank, the East India company, and the additional shilling in the pound land-tax; the whole must be a good deal more than five millions. The debt, therefore, which, since the peace, has been paid out of the savings from the ordinary revenue of the state, has not, one year with another, amounted to half a million a year. The sinking fund has, no doubt, been considerably augmented since the peace, by the debt which has been paid off, by the reduction of the redeemable four per cents. to three per cents., and by the annuities for lives which have fallen in; and, if peace were to continue, a million, perhaps, might now be annually spared out of it towards the discharge of the debt. Another million, accordingly, was paid in the course of last year; but, at the same time, a large civil list debt was left unpaid, and we are now involved in a new war[1] which, in its progress, may prove as expensive as any of our former wars.[2] The new debt which will probably be contracted before the end of the next campaign may perhaps be nearly equal to all the old debt which has been paid off from the savings out of the ordinary revenue of the state. It would be altogether chimerical, therefore, to expect that the public debt should ever be completely discharged by any savings which are likely to be made from that ordinary revenue as it stands at present.[3]

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the country, by means of which its trade is extended, its manufactures are multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only. He does not consider that the capital which the first creditors of the public advanced to government, was, from the moment in which he advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive labourers to maintain unproductive

[1] The American war.

[2] It has proved more expensive than any of our former wars; and has involved us in an additional debt of more than one hundred millions. During a profound peace of eleven years, little more than ten millions of debt was paid; during a war of seven years, more than one hundred millions was contracted. (Note by the author.)

[3] For an account of the progress of the national debt since the commencement of the American war to the present period, and the operation of the sinking fund, see supplemental note on the Funding System.

ones, and to be spent and wasted, generally in the course of a year, without even the hope of any future reproduction. In return for the capital which they advanced they obtained, indeed, an annuity of the public funds, in most cases, of more than equal value. This annuity, no doubt, replaced to them their capital, and enabled them to carry on their trade and business to the same or perhaps to a greater extent than before; that is, they were enabled either to borrow of other people a new capital upon the credit of this annuity, or, by selling it, to get from other people a new capital of their own, equal or superior to that which they had advanced to government. This new capital, however, which they in this manner either bought or borrowed of other people, must have existed in the country before, and must have been employed, as all capitals are, in maintaining productive labour. When it came into the hands of those who had advanced their money to government, though it was in some respects a new capital to them, it was not so to the country; but was only a capital withdrawn from certain employments, in order to be turned towards others. Though it replaced to them what they had advanced to government, it did not replace it to the country. Had they not advanced this capital to government, there would have been in the country two capitals, two portions of the annual produce, instead of one, employed in maintaining productive labour.

When, for defraying the expense of government, a revenue is raised within the year from the produce of free or unmortgaged taxes, a certain portion of the revenue of private people is only turned away from maintaining one species of unproductive labour towards maintaining another. Some part of what they pay in those taxes might, no doubt, have been accumulated into capital, and consequently employed in maintaining productive labour; but the greater part would probably have been spent, and consequently employed in maintaining unproductive labour. The public expense, however, when defrayed in this manner, no doubt hinders more or less the further accumulation of new capital; but it does not necessarily occasion the destruction of any actually existing capital.

When the public expense is defrayed by funding, it is defrayed by the annual destruction of some capital which had before existed in the country; by the perversion of some portion of the annual produce which had before been destined for the maintenance of productive labour towards that of unproductive labour. As in this case, however, the taxes are lighter than they would have been, had a revenue sufficient for defraying the same expense been raised within the year, the private revenue of individuals is necessarily less burdened, and consequently their ability to save and accumulate some part of that revenue into capital is a good deal less impaired. If the method of funding destroy more old capital, it at the same time hinders less the accumulation or acquisition of new capital than that of defraying the public expense [illegible] revenue raised within the year. Under [illegible] system of funding, the frugality and [illegible] of private people can more easily repair [illegible] breaches which the waste and extravagance of government may occasionally make [illegible] general capital of the society.

It is only during the continuance [illegible] however, that the system of funding [illegible] advantage over the other system [illegible] expense of war to be defrayed [illegible] revenue raised within the year [illegible] from which that extraordinary expense [illegible] drawn would last no longer than [illegible] The ability of private people to save, though less during the war, would be [illegible] greater during the peace than under [illegible] system of funding. War would not necessarily have occasioned the destruction of [illegible] old capitals, and peace would have occasioned [illegible] the accumulation of many more new. The [illegible] would in general be more speedily concluded [illegible] and less wantonly undertaken. The people [illegible] feeling during the continuance of war [illegible] the complete burden of it, would soon grow [illegible] weary of it; and government, unless [illegible] humour them, would not be under the [illegible] cessity of carrying it on longer than [illegible] necessary to do so. The foreseen [illegible] heavy and unavoidable burden would [illegible] hinder the people from wantonly [illegible] it when there was no real object [illegible] to fight for. The seasons during [illegible] ability of private people to accumulate [illegible] somewhat impaired, would occur [illegible] and be of shorter continuance. [illegible] the contrary, during which that ability [illegible] in the highest vigour, would be [illegible] longer duration than they can well [illegible] the system of funding.

When funding, besides, has made a certain progress, the multiplication of taxes which it brings along with it sometimes impairs as much the ability of private people to accumulate, even in time of peace, as the other system would in time of war. The peace revenue of Great Britain amounts at present to more than ten millions a year.[1] If free and unmortgaged, it might be sufficient, with proper management, and without contracting a shilling of new debt, to carry on the most vigorous war. The private revenue of the inhabitants of Great Britain is at present

[1] The total nett revenue of Great Britain and Ireland, for the year ended 5th of January, 1837, amounted to 52,949,398*l.*, of which Ireland produced 4,748,322*l*

as much encumbered in time of peace, their ability to accumulate is as much impaired as it would have been in the time of the most expensive war, had the pernicious system of funding never been adopted.

In the payment of the interest of the public debt, it has been said, it is the right hand which pays the left. The money does not go out of the country. It is only a part of the revenue of one set of the inhabitants is transferred to another, and the nation not a farthing the poorer. This apology ...ed altogether in the sophistry of the ... system, and, after the long ex... which I have already bestowed ... system, it may perhaps be unnecessary to say any thing further about it. ...besides, that the whole public ...to the inhabitants of the ...happens not to be true; the ... as several other foreign na...

...ty belonging to foreigners in our ... very inconsiderable. See p. 41.,

...th has given no sufficient refutation of ... In point of fact, the payments on ac... the interest of the public debt are really ... apologists of the funding system represent ... debt of the right hand to the left, or are so ...ealth transferred from one class of society to ...r. It is obvious, however, that the question ...espect to the influence of public debts on ...l prosperity does not depend so much on the ...t of the interest, as on the manner in which ...*cipal* for which it is paid has been employed. ... principal was not lent by one set of indivi... ...nother, but to government, who have spent ...nterprises. It, in fact, has been, gene... annihilated; and instead of deriving ...n it, the revenue of the stockholders is ...rived from taxes laid on the capital ...f others.

...immediate effect of loans on national ...arer point of view, let us suppose ...*ero* millions of people and four ...apital, engages in war, and that ...ws and spends fifty millions of ... If the ordinary rate of profit ...e annual income of the capitalists ...viously to the war would be forty ... close, and after the fifty millions ... and spent, it would only be thirty... ...e there would be a proportionally ...s of employing labour.[1] And al... ...e that the country is not deprived of ...f the debt, for that is merely trans... ...ne class to another, it is no less true ...s deprived of the income derived from fifty ...ions of capital; and that the productive power which formerly fed and clothed an eighth part of the inhabitants being lost to the state, they will have to depend, for a while at least, for subsistence entirely on the exertions of those who, it may be, could previously with difficulty maintain themselves.

This doctrine has been ably stated by Mr. Justice Blackstone.—"By means of our national debt," says he, "the quantity of property in the kingdom is greatly increased in idea, compared with former times; yet, if we coolly consider it, not at all increased in reality. We may boast of large fortunes, and quantities of money in the funds. But where does this money exist? It exists only in name, in paper, in public faith, in parliamentary security: and

[1] This supposes, of course, that no savings have been made from expense during that period. But it is obvious that whatever such savings might amount to, they would not affect the principle laid down.

tions, having a very considerable share in our public funds.[1] But though the whole debt were owing to the inhabitants of the country, it would not upon that account be less pernicious.[2]

Land and capital stock are the two original sources of all revenue both private and public. Capital stock pays the wages of productive labour, whether employed in agriculture, manufactures, or commerce. The management of those two original sources o revenue belongs to two different sets of people, — the proprietors of land, and the owners or employers of capital stock.

The proprietor of land is interested for the sake of his own revenue to keep his estate in as good condition as he can, by building and repairing his tenants' houses, by making and maintaining the necessary drains and inclosures, and all those other expensive improvements which it properly belongs to the

that is undoubtedly sufficient for the creditors of the public to rely on. But then, what is the pledge which the public faith has pawned for the security of these debts? The land, the trade, and the personal industry of the subject; from which the money must arise that supplies the several taxes. In these, therefore, and in these only, the property of the public creditors does really and intrinsically exist: and of course the land, the trade, and the personal industry of individuals, are diminished in their true value just so much as they are pledged to answer. If A.'s income amount to 100*l.* per annum, and he is so far indebted to B. that he pays him 50*l.* per annum for his interest, one half of the value of A.'s property is transferred to B. the creditor. The creditor's property exists in the demand which he has upon the debtor, and nowhere else; and the debtor is only a trustee to his creditor for one half of the value of his income. In short, the property of a creditor of the public consists in a certain portion of the national taxes: by how much, therefore, he is the richer, by so much the nation, which pays these taxes, is the poorer."—*Commentaries*, vol. i. p. 327.

It is not, however, meant, by anything now stated, to question the expediency of contracting loans: that depends on totally different considerations. National independence and honour must be maintained at all hazards. Provided the ordinary revenue of a state be inadequate to defray any unusual expenditure it may have to sustain, and it is judged better to borrow than to impose additional taxes to meet the exigency, there can be no objection to a loan. It would probably be going too far to affirm that all the wars in which we have been engaged, since the Revolution, were just and necessary, and that the funds to carry them on have been raised in the least burdensome manner. But if so, the contraction of the national debt would be completely justified. The integrity and increase of our dominions, the protection of our rights and liberties, and our triumphs by land and sea, are the real equivalents of the public debt, and of all the blood and treasure we have spent in warlike enterprises; and they are quite as ample, and conduce as much to our prosperity as a nation, as if they had been realised in an increase of population and wealth. No sacrifices can be too great that are required to preserve national security and independence; and a loan expended on armies or fleets employed for such a purpose is quite as well and profitably employed, as if it had been laid out on agriculture, or in promoting manufactures or trade.

Neither must the indirect effect of loans, and of the taxes imposed to defray the interest, be lost sight of. When these taxes are not carried to too great a height, they exert a very beneficial influence over industry, and go far, by the stimulus they give to invention and economy, to replace, and sometimes more than replace, the sums lent to government.

[1] See *ante*, p. 153, note.

landlord to make and maintain. But, by different land-taxes, the revenue of the landlord may be so much diminished, and by different duties upon the necessaries and conveniencies of life that diminished revenue may be rendered of so little real value, that he may find himself altogether unable to make or maintain those expensive improvements. When the landlord, however, ceases to do his part, it is altogether impossible that the tenant should continue to do his. As the distress of the landlord increases, the agriculture of the country must necessarily decline.

When, by different taxes upon the necessaries and conveniencies of life, the owners and employers of capital stock find, that whatever revenue they derive from it, will not, in a particular country, purchase the same quantity of those necessaries and conveniencies which an equal revenue would in almost any other, they will be disposed to remove to some other. And when, in order to raise those taxes, all or the greater part of merchants and manufacturers, that is, all or the greater part of the employers of great capitals, come to be continually exposed to the mortifying and vexatious visits of the tax-gatherers, this disposition to remove will soon be changed into an actual removing. The industry of the country will necessarily fall with the removal of the capital which supported it, and the ruin of trade and manufactures will follow the declension of agriculture.

To transfer from the owners of those two great sources of revenue, land and capital stock, from, from the persons immediately interested in the good condition of every particular portion of land, and in the good management of every particular portion of capital stock, to another set of persons, (the creditors of the public, who have no such particular interest,) the greater part of the revenue arising from either must, in the long run, occasion both the neglect of land and the waste or removal of capital stock. A creditor of the public has, no doubt, a general interest in the prosperity of the agriculture, manufactures, and commerce of the country, and consequently in the good condition of its lands, and in the good management of its capital stock. Should there be any general failure or declension in any of these things, the produce of the different taxes might no longer be sufficient to pay him the annuity or interest which is due to him. But a creditor of the public, considered merely as such, has no interest in the good condition of any particular portion of land, or in the good management of any particular portion of capital stock: as a creditor of the public he has no knowledge of any such particular portion — he has no inspection of it — he can have no care about it. Its ruin may in some cases be unknown to him, and cannot directly affect him.

The practice of funding has gradually enfeebled every state which has adopted it. The Italian republics seem to have begun it. Genoa and Venice, the only two remaining which can pretend to an independent existence, have both been enfeebled by it. Spain seems to have learned the practice from the Italian republics, and (its taxes being probably less judicious than theirs), it has, in proportion to its natural strength, been still more enfeebled. The debts of Spain [illegible] very old standing. It was deeply [illegible] before the end of the sixteenth century, a hundred years before England [illegible] ling. France, notwithstanding [illegible] tural resources, languishes under [illegible] sive load of the same kind. The [illegible] of the United Provinces is as [illegible] by its debts as either Genoa [illegible] it likely that in Great Britain [illegible] tice which has brought either [illegible] desolation into every other [illegible] prove altogether innocent?

The system of taxation es[illegible] those different countries, it may [illegible] inferior to that of England. I be[illegible] so. But it ought to be remember[illegible] when the wisest government has ex[illegible] all the proper subjects of taxation, it [illegible] in cases of urgent necessity, have recou[illegible] improper ones. The wise republic o[illegible] land has, upon some occasions, been [illegible] to have recourse to taxes as inconv[illegible] the greater part of those of Spain [illegible] war begun before any considerab[illegible] of the public revenue had be[illegible] about, and growing in its progre[illegible] sive as the last war, may, fr[illegible] necessity, render the Briti[illegible] tion as oppressive as that [illegible] as that of Spain. To t[illegible] present system of taxatio[illegible] hitherto given so little emb[illegible] dustry, that, during the co[illegible] most expensive wars, the fru[illegible] conduct of individuals seem[illegible] able, by saving and accumulati[illegible] all the breaches which the waste [illegible] vagance of government had ma[illegible] general capital of the society. At the conclusion of the late war, the most expensive that Great Britain ever waged, her agriculture was as flourishing, her manufacturers as numerous and as fully employed, and her commerce as extensive, as they had ever been before. The capital, therefore, which supported all those different branches of industry must have been equal to what it had ever been before. Since the peace, agriculture has been still further improved, the rents of houses have risen in every town and village of the country, a proof of the increasing wealth and revenue of the people; and the annual amount of the greater part of the old taxes, of the principal branches of the

excise and customs in particular, has been continually increasing, an equally clear proof of an increasing consumption, and consequently of an increasing produce, which could alone support that consumption. Great Britain seems to support with ease a burden which, half a century ago, nobody believed her capable of supporting. Let us not, however, upon this account rashly conclude that she is capable of supporting any [illegible]rden; nor even be too confident that she [illegible]ld support, without great distress, a bur-[illegible]ttle greater than what has already [illegible]d upon her.

[illegible] national debts have once been accu-[illegible] certain degree, there is scarce, [illegible]gle instance of their having [illegible]ompletely paid. The liber-[illegible]lic revenue, if it has ever been [illegible] at all, has always been brought [illegible]ankruptcy; sometimes by an [illegible]but always by a real one, though [illegible]y a pretended payment.

[illegible]ing of the denomination of the [illegible]een the most usual expedient by [illegible]a real public bankruptcy has been [illegible]ised under the appearance of a pre-[illegible]d payment. If a sixpence, for exam-[illegible]should, either by act of parliament or [illegible]l proclamation, be raised to the deno-[illegible]ation of a shilling, and twenty sixpences [illegible]at of a pound sterling, the person who, [illegible]r the old denomination, had borrowed [illegible] shillings, or near four ounces of sil-[illegible]ld, under the new, pay with twenty [illegible]or with something less than two [illegible]national debt of about a hun-[illegible]enty-eight millions, near the [illegible]e funded and unfunded debt of [illegible]night in this manner be paid [illegible]-four millions of our present [illegible]uld indeed be a pretended [illegible] and the creditors of the pub-[illegible]y be defrauded of ten shillings [illegible] of what was due to them. The [illegible]o, would extend much further [illegible]e creditors of the public, and those [illegible] private person would suffer a pro-[illegible]able loss; and this without any advantage, but in most cases with a great additional loss to the creditors of the public. If the creditors of the public, indeed, were generally much in debt to other people, they might in some measure compensate their loss by paying their creditors in the same coin in which the public had paid them; but in most countries the creditors of the public are, the greater part of them, wealthy people, who stand more in the relation of creditors than in that of debtors towards the rest of their fellow-citizens. A pretended payment of this kind, therefore, instead of alleviating, aggravates in most cases the loss of the creditors of the public; and, without any advantage to the public, extends the calamity to a great number of other innocent people. It occasions a general and most pernicious subversion of the fortunes of private people, enriching in most cases the idle and profuse debtor at the expense of the industrious and frugal creditor, and transporting a great part of the national capital from the hands which were likely to increase and improve it to those who are likely to dissipate and destroy it. When it becomes necessary for a state to declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor and least hurtful to the creditor. The honour of a state is surely very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through, and at the same time so extremely pernicious.

Almost all states, however, ancient as well as modern, when reduced to this necessity, have, upon some occasions, played this very juggling trick. The Romans, at the end of the first Punic war, reduced the As, the coin or denomination by which they computed the value of all their other coins, from containing twelve ounces of copper to contain only two ounces; that is, they raised two ounces of copper to a denomination which had always before expressed the value of twelve ounces.[1] The republic was in this manner enabled to pay the great debts which it had contracted with the sixth part of what it really owed. So sudden and so great a bankruptcy, we should in the present times be apt to imagine must have occasioned a very violent popular clamour. It does not appear to have occasioned any. The law which enacted it was, like all other laws relating to the coin, introduced and carried through the assembly of the people by a tribune, and was probably a very popular law. In Rome, as in all other ancient republics, the poor people were constantly in debt to the rich and the great, who, in order to secure their votes at the annual elections, used to lend them money at exorbitant interest, which, being never paid, soon accumulated into a sum too great either for the debtor to pay or for any body else to pay for him. The debtor, for fear of a very severe execution, was obliged, without any further gratuity, to vote for the candidate whom the creditor recommended. In spite of all the

[1] M. Garnier has controverted this statement in an elaborate note to his edition of the Wealth of Nations. (Tome v. p. 102.) He endeavours to show that the reduction of the copper contained in the *As*, was not intended to, and in point of fact did not, change the value of the currency; but that its object was to establish a correct proportion between the copper and silver coins.

laws against bribery and corruption, the bounty of the candidates, together with the occasional distributions of corn which were ordered by the senate, were the principal funds from which, during the latter times of the Roman republic, the poorer citizens derived their subsistence. To deliver themselves from this subjection to their creditors, the poorer citizens were continually calling out either for an entire abolition of debts, or for what they called new tables, that is, for a law which should entitle them to a complete acquittance, upon paying only a certain proportion of their accumulated debts. The law which reduced the coin of all denominations to a sixth part of its former value, as it enabled them to pay their debts with a sixth part of what they really owed, was equivalent to the most advantageous new tables. In order to satisfy the people, the rich and the great were, upon several different occasions, obliged to consent to laws both for abolishing debts and for introducing new tables; and they probably were induced to consent to this law, partly for the same reason, and partly that, by liberating the public revenue, they might restore vigour to that government of which they themselves had the principal direction. An operation of this kind would at once reduce a debt of a hundred and twenty-eight millions to twenty-one millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eightpence. In the course of the second Punic war, the As was still further reduced, first, from two ounces of copper to one ounce, and afterwards from one ounce to half an ounce; that is, to the twenty-fourth part of its original value. By combining the three Roman operations into one, a debt of a hundred and twenty-eight millions of our present money might in this manner be reduced all at once to a debt of five millions three hundred and thirty-three thousand three hundred and thirty-three pounds six shillings and eightpence. Even the enormous debt of Great Britain might in this manner soon be paid.

By means of such expedients the coin of, I believe, all nations has been gradually reduced more and more below its original value, and the same nominal sum has been gradually brought to contain a smaller and a smaller quantity of silver.

Nations have sometimes, for the same purpose, adulterated the standard of their coin; that is, have mixed a greater quantity of alloy in it. If in the pound weight of our silver coin, for example, instead of eighteen pennyweight, according to the present standard, there was mixed eight ounces of alloy, a pound sterling, or twenty shillings of such coin, would be worth little more than six shillings and eightpence of our present money. The quantity of silver contained in six shillings and eightpence of our present money would thus be raised to very nearly to the denomination of a pound sterling. The adulteration of the standard has exactly the same effect with what the French call an augmentation, or a direct raising of the denomination of the coin.

An augmentation, or a direct raising of the denomination of the coin, always is, and from its nature must be, an open and avo operation. By means of it, pieces smaller weight and bulk are calle same name which had before been pieces of a greater weight and bul adulteration of the standard, trary, has generally been a ation. By means of it, pi from the mint of the same and, as nearly as could be co same weight, bulk, and app pieces which had been curr much greater value. When K France[1], in order to pay his de ated his coin, all the officers o were sworn to secrecy. Both o are unjust: but a simple augmenta an injustice of open violence; wher adulteration is an injustice of treach fraud. This latter operation, therefor soon as it has been discovered — and it c never be concealed very long — has al excited much greater indignation tha former. The coin, after any cons augmentation, has very seldom bee back to its former weight; but greatest adulterations, it has been brought back to its form has scarce ever happened, that indignation of the people co appeased.

In the end of the reign and in the beginning of that the English coin was not on denomination, but adulterated ard. The like frauds were Scotland during the minority o They have occasionally been p most other countries.

That the public revenue of Great Britain can ever be completely liberated, or even that any considerable progress can ever be made towards that liberation, while the surplus of that revenue, or what is over and above defraying the annual expense of the peace establishment, is so very small, it seems altogether in vain to expect. That liberation, it is evident, can never be brought about without either some very considerable augmentation of the public revenue or some equally considerable reduction of the public expense.

A more equal land-tax, a more equal tax

[1] See Du Cange Glossary, voce Moneta; the Benedictine edition.

upon the rent of houses, and such alterations in the present system of customs and excise as those which have been mentioned in the foregoing chapter, might, perhaps, without increasing the burden of the greater part of the people, but only distributing the weight of it more equally upon the whole, produce a considerable augmentation of revenue. The most sanguine projector, however, could scarce flatter himself, that any augment- of this kind would be such as could reasonable hopes either of liberating lic revenue altogether or even of rogress towards that liberation as either to prevent or com- rther accumulation of the the next war.

ng the British system of tax- he different provinces of the d by people of either British traction, a much greater evenue might be expected. l scarce, perhaps, be done, he principles of the British thout admitting into the ment, or, if you will, into the l of the British empire, a fair representation of all those differ- nces; that of each province bearing proportion to the produce of its he representation of Great Britain to the produce of the taxes levied t Britain. The private interest werful individuals, the confirmed f great bodies of people, seem sent to oppose to so great a stacles as it may be very dif- gether impossible, to sur- however, pretending to such a union be practi- cable, it may not perhaps be eculative work of this kind, far the British system of e applicable to all the differ- f the empire; what revenue ected from it, if so applied; manner a general union of this be likely to affect the happiness rity of the different provinces mprehended within it. Such a speculation can at worst be regarded but as a new Utopia, less amusing certainly, but no more useless and chimerical than the old one.

The land tax, the stamp-duties, and the different duties of customs and excise, constitute the four principal branches of the British taxes.

Ireland is certainly as able, and our American and West Indian plantations more able, to pay a land-tax than Great Britain. Where the landlord is subject neither to tithe nor poor's rate, he must certainly be more able to pay such a tax, than where he is subject to both those other burdens. The tithe, where there is no modus, and where it is levied in kind, diminishes more what would otherwise be the rent of the landlord, than a land tax which really amounted to five shillings in the pound. Such a tithe will be found in most cases to amount to more than a fourth part of the real rent of the land, or of what remains after replacing completely the capital of the farmer, together with his reasonable profit. If all moduses and all impropriations were taken away, the complete church tithe of Great Britain and Ireland could not well be estimated at less than six or seven millions. If there was no tithe either in Great Britain or Ireland, the landlords could afford to pay six or seven millions additional land-tax, without being more burdened than a very great part of them are at present. America pays no tithe, and could therefore very well afford to pay a land-tax. The lands in America and the West Indies, indeed, are in general not tenanted nor leased out to farmers. They could not therefore be assessed according to any rent-roll. But neither were the lands of Great Britain, in the 4th of William and Mary, assessed according to any rent roll, but according to a very loose and inaccurate estimation. The lands in America might be assessed either in the same manner, or according to an equitable valuation in consequence of an accurate survey, like that which was lately made in the Milanese, and in the dominions of Austria, Prussia, and Sardinia.

Stamp-duties, it is evident, might be levied without any variation in all countries where the forms of law process, and the deeds by which property both real and personal is transferred, are the same or nearly the same.

The extension of the custom-house laws of Great Britain to Ireland and the plantations, provided it was accompanied, as in justice it ought to be, with an extension of the freedom of trade, would be in the highest degree advantageous to both. All the invidious restraints which at present oppress the trade of Ireland, the distinction between the enumerated and non-enumerated commodities of America would be entirely at an end. The countries north of Cape Finisterre would be as open to every part of the produce of America as those south of that cape are to some parts of that produce at present. The trade between all the different parts of the British empire would, in consequence of this uniformity in the custom-house laws, be as free as the coasting trade of Great Britain is at present. The British empire would thus afford within itself an immense internal market for every part of the produce of all its different provinces. So great an extension of market would soon compensate, both to Ireland and the plant-

ations, all that they could suffer from the increase of the duties of customs.

The excise is the only part of the British system of taxation which would require to be varied in any respect according as it was applied to the different provinces of the empire. It might be applied to Ireland without any variation; the produce and consumption of that kingdom being exactly of the same nature with those of Great Britain. In its application to America and the West Indies, of which the produce and consumption are so very different from those of Great Britain, some modification might be necessary, in the same manner as in its application to the cider and beer counties of England.

A fermented liquor, for example, which is called beer, but which, as it is made of molasses, bears very little resemblance to our beer, makes a considerable part of the common drink of the people in America. This liquor, as it can be kept only for a few days, cannot, like our beer, be prepared and stored up for sale in great breweries; but every private family must brew it for their own use, in the same manner as they cook their victuals. But to subject every private family to the odious visits and examination of the tax-gatherers, in the same manner as we subject the keepers of alehouses and the brewers for public sale, would be altogether inconsistent with liberty. If, for the sake of equality, it was thought necessary to lay a tax upon this liquor, it might be taxed by taxing the material of which it is made, either at the place of manufacture, or, if the circumstances of the trade rendered such an excise improper, by laying a duty upon its importation into the colony in which it was to be consumed. Besides the duty of one penny a gallon imposed by the British parliament upon the importation of molasses into America, there is a provincial tax of this kind upon their importation into Massachusetts Bay, in ships belonging to any other colony, of eightpence the hogshead; and another upon their importation from the northern colonies into South Carolina, of fivepence the gallon. Or, if neither of these methods was found convenient, each family might compound for its consumption of this liquor, either according to the number of persons of which it consisted, in the same manner as private families compound for the malt-tax in England; or according to the different ages and sexes of those persons, in the same manner as several different taxes are levied in Holland, or nearly as Sir Matthew Decker proposes that all taxes upon consumable commodities should be levied in England. This mode of taxation, it has already been observed, when applied to objects of a speedy consumption, is not a very convenient one. It might be adopted, however, in cases where no better could be done

Sugar, rum, and tobacco, are commodities which are nowhere necessaries of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation. If a union with the colonies were to take place, those commodities might be taxed either before they go out of the hands of the manufacturer or grower; or, if this mode of taxation did not suit the circumstances of those persons, they might be deposited in public warehouses both at the place of manufacture and at the different ports of the empire, from which they might afterwards be transported, under the inspection of the owner and the revenue officers, to the different ports of the empire, to be delivered out as they should be delivered out either to the consumer, to the merchant retailer, to be sold for consumption, or to the merchant exporter, to whom the tax not to be advanced till the commodities were exported. When delivered out for exportation, they might be delivered duty-free, upon proper security being given that they should really be exported to some foreign country or to the empire. These are perhaps the only commodities, with regard to which any union with the colonies might require any considerable change in the present system of British taxation.

What might be the amount of the revenue which this system of taxation, extended to all the different provinces of the empire, might produce, it must, no doubt, be altogether impossible to ascertain with any exactness. By means of this system there is annually levied in Great Britain not less than eight millions of people more than ten millions of revenue. The inhabitants of more than two millions of people, according to the accounts laid before congress, the twelve associated provinces of America contain more than three millions. Accounts, however, may have been exaggerated in order, perhaps, either to encourage our own people, or to intimidate our enemies in this country; and we shall suppose, therefore, that the North American and West Indian colonies, taken together, contain no more than three millions; or that the whole British empire in Europe and America contains not more than thirteen millions of inhabitants. The tax upon less than eight millions of inhabitants raises a revenue of more than ten millions sterling, it ought upon thirteen millions of inhabitants to raise a revenue of more than sixteen millions two hundred and fifty thousand pounds sterling. From this revenue, supposing that this system could produce it, must be deducted the revenue usually raised in Ireland and the plantations for defraying the expense of their respective civil governments. The expense of the civil and military establishment of Ireland, together with the interest of the public debt, amounts, at a medium of the two years, which ended March 1775, to

something less than seven hundred and fifty thousand pounds a year. By a very exact account of the revenue of the principal colonies of America and the West Indies, it amounted, before the commencement of the present disturbances, to a hundred and forty-one thousand eight hundred pounds. In this account, however, the revenue of Maryland, of North Carolina, and of all our late [illegible]quisitions both upon the continent and in [illegible]s, is omitted; which may perhaps [illegible]fference of thirty or forty thousand [illegible]For the sake of even numbers, [illegible]us suppose that the revenue [illegible]pporting the civil government [illegible]l the plantations may amount [illegible] There would remain, conse-[illegible]nue of fifteen millions two [illegible]thousand pounds, to be [illegible]raying the general ex-[illegible], and towards paying the [illegible]if from the present revenue [illegible] a million could in peaceable [illegible]d towards the payment of that [illegible]lions two hundred and fifty [illegible]unds could very well be spared [illegible] improved revenue. This great [illegible]nd too might be augmented every [illegible]he interest of the debt which had [illegible]arged the year before, and might [illegible]nner increase so very rapidly, as [illegible]cient in a few years to discharge [illegible]debt, and thus to restore com-[illegible]at present debilitated and lan-[illegible]ur of the empire. In the mean [illegible]le might be relieved from some [illegible]rdensome taxes; from those [illegible]sed either upon the neces-[illegible] upon the materials of manu-[illegible]abouring poor would thus be [illegible] better, to work cheaper, and [illegible]ods cheaper to market. The [illegible]eir goods would increase the [illegible]em, and consequently for the [illegible]e who produced them. This [illegible]he demand for labour would [illegible]e the numbers and improve the [illegible]es of the labouring poor. Their [illegible]n would increase, and together with it the revenue arising from all those articles of their consumption upon which the taxes might be allowed to remain.

The revenue arising from this system of taxation, however, might not immediately increase in proportion to the number of people who were subjected to it. Great indulgence would for some time be due to those provinces of the empire which were thus subjected to burdens to which they had not before been accustomed; and even when the same taxes came to be levied every where as exactly as possible, they would not every where produce a revenue proportioned to the numbers of the people. In a poor country the consumption of the principal commodities subject to the duties of customs and excise is very small; and in a thinly inhabited country the opportunities of smuggling are very great. The consumption of malt liquors among the interior ranks of people in Scotland is very small; and the excise upon malt, beer, and ale, produces less there than in England, in proportion to the numbers of the people and the rate of the duties, which upon malt is different, on account of a supposed difference of quality In these particular branches of the excise, there is not, I apprehend, much more smuggling in the one country than in the other. The duties upon the distillery, and the greater part of the duties of customs, in proportion to the numbers of people in the respective countries, produce less in Scotland than in England, not only on account of the smaller consumption of the taxed commodities, but of the much greater facility of smuggling. In Ireland the inferior ranks of people are still poorer than in Scotland, and many parts of the country are almost as thinly inhabited. In Ireland, therefore, the consumption of the taxed commodities might, in proportion to the number of the people, be still less than in Scotland, and the facility of smuggling nearly the same. In America and the West Indies the white people, even of the lowest rank, are in much better circumstances than those of the same rank in England, and their consumption of all the luxuries in which they usually indulge themselves is probably much greater. The blacks, indeed, who make the greater part of the inhabitants both of the southern colonies upon the continent and of the West India islands, as they are in a state of slavery, are, no doubt, in a worse condition than the poorest people either in Scotland or Ireland. We must not, however, upon that account, imagine that they are worse fed, or that their consumption of articles which might be subjected to moderate duties is less than that even of the lower ranks of people in England. In order that they may work well, it is the interest of their master that they should be fed well, and kept in good heart, in the same manner as it is his interest that his working cattle should be so. The blacks, accordingly, have almost every where their allowance of rum and of molasses or spruce beer, in the same manner as the white servants; and this allowance would not probably be withdrawn, though those articles should be subjected to moderate duties. The consumption of the taxed commodities, therefore, in proportion to the number of inhabitants, would probably be as great in America and the West Indies as in any part of the British empire. The opportunities of smuggling, indeed, would be much greater; America, in proportion to the extent of the country, being much more thinly inhabited

than either Scotland or Ireland. If the revenue, however, which is at present raised by the different duties upon malt and malt liquors, were to be levied by a single duty upon malt, the opportunity of smuggling in the most important branch of the excise would be almost entirely taken away: and if the duties of customs, instead of being imposed upon almost all the different articles of importation, were confined to a few of the most general use and consumption, and if the levying of those duties were subjected to the excise laws, the opportunity of smuggling, though not so entirely taken away, would be very much diminished. In consequence of those two apparently very simple and easy alterations, the duties of customs and excise might probably produce a revenue as great in proportion to the consumption of the most thinly inhabited province, as they do at present in proportion to that of the most populous.

The Americans, it has been said, indeed, have no gold or silver money; the interior commerce of the country being carried on by a paper currency, and the gold and silver which occasionally come among them being all sent to Great Britain in return for the commodities which they receive from us; but without gold and silver, it is added, there is no possibility of paying taxes. We already get all the gold and silver which they have. How is it possible to draw from them what they have not?

The present scarcity of gold and silver money in America is not the effect of the poverty of that country, or of the inability of the people there to purchase those metals. In a country where the wages of labour are so much higher, and the price of provisions so much lower than in England, the greater part of the people must surely have wherewithal to purchase a greater quantity, if it were either necessary or convenient for them to do so. The scarcity of those metals, therefore, must be the effect of choice, and not of necessity.

It is for transacting either domestic or foreign business, that gold and silver money is either necessary or convenient.

The domestic business of every country, it has been shown in the second book of this Inquiry, may, at least in peaceable times, be transacted by means of a paper currency, with nearly the same degree of conveniency as by gold and silver money. It is convenient for the Americans, who could always employ with profit in the improvement of their lands, a greater stock than they can easily get, to save as much as possible the expense of so costly an instrument of commerce as gold and silver; and rather to employ that part of their surplus produce which would be necessary for purchasing those metals, in purchasing the instruments of trade, the materials of clothing, several parts of household furniture, and the iron work necessary for building and extending their settlements and plantations; in purchasing, not dead stock, but active and productive stock. The colony governments find it for their interest to supply the people with such a quantity of paper money as is fully sufficient, and generally more than sufficient, for transacting their domestic business. So [illegible] of those governments, that of Pe[illegible] particularly, derive a revenue fro[illegible] this paper money to their subje[illegible] terest of so much per cent. [illegible] that of Massachusetts Bay, [illegible] extraordinary emergencies, a [illegible] this kind for defraying the [illegible] and afterwards, when it [illegible] niency of the colony, [illegible] preciated value to whi[illegible] In 1747[1], that colony pa[illegible] the greater part of its pub[illegible] tenth part of the money fo[illegible] had been granted. It suits t[illegible] of the planters to save the e[illegible] ploying gold and silver mon[illegible] domestic transactions; and it sui[illegible] veniency of the colony governme[illegible] ply them with a medium, whic[illegible] attended with some very conside[illegible] vantages, enables them to save th[illegible] The redundancy of paper money [illegible] banishes gold and silver from t[illegible] transactions of the colonies, [illegible] reason that it has banished tho[illegible] the greater part of the domes[illegible] in Scotland; and in both c[illegible] the poverty, but the enter[illegible] jecting spirit of the peo[illegible], employing all the stock w[illegible] get as active and productiv[illegible] has occasioned this redund[illegible] money.

In the exterior commerce [illegible] ferent colonies carry on with [illegible] gold and silver are more or l[illegible] exactly in proportion as they [illegible] less necessary. Where those [illegible] not necessary, they seldom appe[illegible] they are necessary, they are generally found.

In the commerce between Great Britain and the tobacco colonies, the British goods are generally advanced to the colonists at a pretty long credit, and are afterwards paid for in tobacco, rated at a certain price. It is more convenient for the colonists to pay in tobacco than in gold and silver. It would be more convenient for any merchant to pay for the goods which his correspondents had sold to him in some other sort of goods which he might happen to deal in, than in money. Such a merchant would have no

[1] See Hutchinson's History of Massachusetts Bay, vol. ii. p. 436. *et seq.*

occasion to keep any part of his stock by him unemployed, and in ready money, for answering occasional demands. He could have at all times a larger quantity of goods in his shop or warehouse, and he could deal to a greater extent. But it seldom happens to be convenient for all the correspondents of a merchant to receive payment for the goods which they sell to him, in goods of the other kind which he happens to deal [illegible] British merchants who trade to [illegible]nd Maryland happen to be a par- [illegible] correspondents, to whom it is [illegible]nt to receive payment for the [illegible] sell to those colonies in [illegible]old and silver. They ex- [illegible]rofit by the sale of the [illegible]d make none by that of Gold and silver, there- [illegible]ear in the commerce [illegible]n and the tobacco co- [illegible]nd Virginia have as little [illegible] metals in their foreign as [illegible]e commerce. They are [illegible] to have less gold and silver [illegible]y other colonies in America. [illegible]ckoned, however, as thriving, [illegible]ently as rich, as any of their

[illegible]rthern colonies, Pennsylvania, New Jersey, the four govern- [illegible]v England, &c., the value of [illegible]oduce which they export to [illegible] is not equal to that of the [illegible]which they import for their [illegible]r that of some of the other [illegible] they are the carriers. A [illegible]ore, must be paid to the mo- [illegible]ntry in gold and silver, and this [illegible]e they generally find.

In the sugar colonies the value of the produce annually exported to Great Britain, is much greater than that of all the goods imported from thence. If the sugar and rum annually sent to the mother country were paid for in those colonies, Great Britain would be obliged to send out every year a very large balance in money; and the trade to the West Indies would, by a certain species of politicians, be considered as extremely disadvantageous. But it so happens that many of the principal proprietors of the sugar plantations reside in Great Britain. Their rents are remitted to them in sugar and rum, the produce of their estates. The sugar and rum which the West India merchants purchase in those colonies upon their own account are not equal in value to the goods which they annually sell there. A balance, therefore, must necessarily be paid to them in gold and silver, and this balance too is generally found.

The difficulty and irregularity of payment from the different colonies to Great Britain have not been at all in proportion to the greatness or smallness of the balances which were respectively due from them. Payments have in general been more regular from the northern than from the tobacco colonies, though the former have generally paid a pretty large balance in money, while the latter have either paid no balance, or a much smaller one. The difficulty of getting payment from our different sugar colonies has been greater or less in proportion, not so much to the extent of the balances respectively due from them, as to the quantity of uncultivated land which they contained; that is, to the greater or smaller temptation which the planters have been under of overtrading, or of undertaking the settlement and plantation of greater quantities of waste land than suited the extent of their capitals. The returns from the great island of Jamaica, where there is still much uncultivated land, have, upon this account, been in general more irregular and uncertain than those from the smaller islands of Barbadoes, Antigua, and St. Christopher's, which have for these many years been completely cultivated, and have, upon that account, afforded less field for the speculations of the planter. The new acquisitions of Grenada, Tobago, St. Vincent's, and Dominica, have opened a new field for speculations of this kind; and the returns from those islands have of late been as irregular and uncertain as those from the great island of Jamaica.

It is not, therefore, the poverty of the colonies which occasions, in the greater part of them, the present scarcity of gold and silver money. Their great demand for active and productive stock makes it convenient for them to have as little dead stock as possible; and disposes them, upon that account, to content themselves with a cheaper though less commodious instrument of commerce than gold and silver. They are thereby enabled to convert the value of that gold and silver into the instruments of trade, into the materials of clothing, into household furniture, and into the iron work necessary for building and extending their settlements and plantations. In those branches of business which cannot be transacted without gold and silver money, it appears that they can always find the necessary quantity of those metals; and if they frequently do not find it, their failure is generally the effect, not of their necessary poverty, but of their unnecessary and excessive enterprise. It is not because they are poor that their payments are irregular and uncertain, but because they are too eager to become excessively rich. Though all that part of the produce of the colony taxes which was over and above what was necessary for defraying the expense of their own civil and military establishments were to be remitted to Great Britain in gold and silver, the colonies have abundantly where-

withal to purchase the requisite quantity of those metals. They would in this case be obliged, indeed, to exchange a part of their surplus produce, with which they now purchase active and productive stock, for dead stock. In transacting their domestic business they would be obliged to employ a costly instead of a cheap instrument of commerce; and the expense of purchasing this costly instrument might damp somewhat the vivacity and ardour of their excessive enterprise in the improvement of land. It might not, however, be necessary to remit any part of the American revenue in gold and silver. It might be remitted in bills drawn upon and accepted by particular merchants or companies in Great Britain, to whom a part of the surplus produce of America had been consigned, who would pay into the treasury the American revenue in money, after having themselves received the value of it in goods; and the whole business might frequently be transacted without exporting a single ounce of gold or silver from America.

It is not contrary to justice that both Ireland and America should contribute towards the discharge of the public debt of Great Britain. That debt has been contracted in support of the government established by the revolution; a government to which the protestants of Ireland owe, not only the whole authority which they at present enjoy in their own country, but every security which they possess for their liberty, their property, and their religion; a government to which several of the colonies of America owe their present charters, and consequently their present constitution, and to which all the colonies of America owe the liberty, security, and property which they have ever since enjoyed. That public debt has been contracted in the defence, not of Great Britain alone, but of all the different provinces of the empire; the immense debt contracted in the late war in particular, and a great part of that contracted in the war before, were both properly contracted in defence of America.

By a union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a complete deliverance from the power of an aristocracy which had always before oppressed them. By a union with Great Britain, the greater part of the people of all ranks in Ireland would gain an equally complete deliverance from a much more oppressive aristocracy; an aristocracy not founded, like that of Scotland, in the natural and respectable distinctions of birth and fortune, but in the most odious of all distinctions, those of religious and political prejudices; distinctions which, more than any other, animate both the insolence of the oppressors and the hatred and indignation of the oppressed, and which commonly render the inhabitants of the same country more hostile to one another than those of different countries ever are. Without a union with Great Britain, the inhabitants of Ireland are not likely, for many ages, to consider themselves as one people.[1]

No oppressive aristocracy has ever been established in the colonies. Even they how[illegible] in point of happiness and tranquillity considerably by a union with Great Britain. It would at least deliver them from the rancorous and virulent factions inseparable from all small democracies, which have so frequently disturbed the peace of their people, and distracted the councils of their governments, in the case of democratical. In the case of a separation from Great Britain, which would be prevented by a union of this kind, the most likely to take place, those factions would be ten times more virulent than ever. At the commencement of the present troubles, the coercive power of the mother country had always been able to restrain factions from breaking out into any thing worse than gross brutality and insolence; but that coercive power were entirely taken away, they would probably soon break out into open violence and bloodshed. In all countries which are united under the same government, the spirit of party commonly prevails less in the remote provinces than in the centre of the empire. The distance of those provinces from the capital, from the principal seat of the great scramble of faction and ambition, makes them enter less into all the views of any of the contending parties, and renders them more indifferent and impartial spectators of the conduct of all. The spirit of party prevails less in Scotland than in England. In the case of a union it would probably prevail less in Ireland than in Scotland, and the colonies would probably soon enjoy a degree of concord and unanimity at present unknown in any part of the British empire. Both Ireland and the colonies, indeed, would be subjected to heavier taxes than any which they at present pay. In consequence, however, of a diligent and faithful application of the public revenue towards the discharge of the national debt, the greater part of those taxes might not be of long continuance, and the public revenue of Great Britain might soon be reduced to what was necessary for maintaining a moderate peace establishment.

The territorial acquisitions of the East

[1] The incorporating union with Ireland effected in 1801, has hitherto only partially delivered the people of that country from the domination of the oppressive and intolerant aristocracy alluded to by Dr. Smith: but it has paved the way for the complete consummation of that desirable consequence.

India company, the undoubted right of the crown, that is, of the state and people of Great Britain, might be rendered another source of revenue more abundant, perhaps, than all those already mentioned. Those countries are represented as more fertile, more extensive, and, in proportion to their extent, much richer and more populous than Great Britain. In order to draw a great revenue from them, it would not probably be necessary to introduce any new system of taxation into countries which are already sufficiently and more than sufficiently taxed. It might perhaps be more proper to lighten than to aggravate the burden of those unfortunate countries, and to endeavour to draw a revenue from them, not by imposing new taxes, but by preventing the embezzlement and misapplication of the greater part of those which they already pay.

If it should be found impracticable for Great Britain to draw any considerable augmentation of revenue from any of the resources above mentioned; the only resource which can remain to her, is a diminution of her expense. In the mode of collecting and in that of expending the public revenue, though in both there may be still room for improvement, Great Britain seems to be at least as economical as any of her neighbours. The military establishment which she maintains for her own defence in time of peace is more moderate than that of any European state which can pretend to rival her either in wealth or in power. None of those articles, therefore, seem to admit of any considerable reduction of expense. The expense of the peace establishment of the colonies was, before the commencement of the present disturbances, very considerable, and is an expense which may, and, if no revenue can be drawn from them, ought certainly to be saved altogether. This constant expense in time of peace, though very great, is insignificant in comparison with what the defence of the colonies has cost us in time of war. The last war, which was undertaken altogether on account of the colonies, cost Great Britain, it has already been observed, upwards of ninety millions. The Spanish war of 1739 was principally undertaken on their account; in which, and in the French war that was the consequence of it, Great Britain spent upwards of forty millions, a great part of which ought justly to be charged to the colonies. In those two wars the colonies cost Great Britain much more than double the sum which the national debt amounted to before the commencement of the first of them. Had it not been for those wars, that debt might, and probably would, by this time have been completely paid; and had it not been for the colonies, the former of those wars might not, and the latter certainly would not, have been undertaken. It was because the colonies were supposed to be provinces of the British empire, that this expense was laid out upon them. But countries which contribute neither revenue nor military force towards the support of the empire, cannot be considered as provinces. They may perhaps be considered as appendages, as a sort of splendid and showy equipage of the empire. But if the empire can no longer support the expense of keeping up this equipage, it ought certainly to lay it down; and if it cannot raise its revenue in proportion to its expense, it ought at least to accommodate its expense to its revenue. If the colonies, notwithstanding their refusal to submit to British taxes, are still to be considered as provinces of the British empire, their defence in some future war may cost Great Britain as great an expense as it ever has done in any former war. The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only. It has hitherto been, not an empire, but the project of an empire; not a gold mine, but the project of a gold mine; a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost immense expense, without being likely to bring any profit; for the effects of the monopoly of the colony trade, it has been shown, are, to the great body of the people, mere loss instead of profit. It is surely now time that our rulers should either realise this golden dream, in which they have been indulging themselves, perhaps, as well as the people, or that they should awake from it themselves, and endeavour to awaken the people. If the project cannot be completed, it ought to be given up. If any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expense of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.

END OF THE WEALTH OF NATIONS.

SUPPLEMENTAL

NOTES AND DISSERTATIONS.

E tenebris tantis tam clarum extollere lumen
Qui primus potuisti, illustrans commoda vitae:
Te sequor ô Graiae gentis decus, inque tuis nunc
Fixa pedum pono pressis vestigia signis,
Non ita certandi cupidus, quàm propter amorem,
Quod te imitari aveo.

LUCRET., lib. iii. lin. 1.

NOTES AND DISSERTATIONS.

NOTE I.

DEFINITION OF LABOUR.

As most reasonings in political economy have either a direct or indirect reference to labour, it is of the utmost importance to have a clear conception of what is meant by that term.

Dr. Smith has nowhere stated the precise meaning he attached to the word labour. It seems, however, that generally speaking, he supposed it to mean the exertions made by human beings to bring about some desirable result.[1] But he has not always understood it in this confined sense; and had he done so, it would have been a departure from ordinary usage, and would have involved him in inconsistencies. It has been the universal custom, not of political economists only, but of all who have had occasion to treat of such subjects, to apply the term labour to the exertions made by such of the lower animals as have been domesticated and employed in industrious undertakings. Conformably to this custom, Dr. Smith has denominated the horses and oxen employed by the farmer "labouring cattle;" and we are not aware that it has ever been alleged that this is an improper denomination, or that the term labour should not be extended so far.

But we incline to think that this term ought to be understood still more comprehensively. It is universally admitted that, in an economical point of view, the lower animals are to be regarded only as a species of machines. But if it may be justly said that a horse labours, may it not also be said that a steam engine labours? In point of principle there is no real difference between the two operations. In both power is employed to produce a desirable result; and if the value of the power, applied and expended, be the same, the value of the results will be the same, though the agents employed be in the one case sensible of toil and privation, and in the other not. Nor is it easy to see how, under such circumstances, it can be justly considered as in any respect unwarrantable to apply the same common term to express the action or operation by which the wished-for result is produced.

Suppose, still further to illustrate this principle, that a piece of work may be performed, or an effect produced, by the agency of men, horses, machinery, or natural powers, as wind or water: every one would admit that it was correct to say that it might be performed, or the result produced indifferently by the action or operation of any of these agents. But no more is meant when it is said that it may be performed or brought about by their labour. In this respect labour is synonymous with action, operation, &c. It consists in the application of power to produce a result. The thing that applies the power is the acting, operating, or labouring instrument: and though it be most certainly true, that the species of instrument is, in other respects, of very great importance, that circumstance affects neither the nature of the operation nor its physical and wished-for results.

It appears, therefore, that labour may be properly defined any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents, that tends to bring about any desirable result. In as far, however, as that result is brought about by the labour or operation of natural agents, that can neither be monopolised nor appropriated, it has no value. What is done by these agents is done gratuitously. They cost nothing; and every one may avail himself at pleasure of their services. But when such is the case, it is plain that no individual will part with any portion of what has cost him any trouble to acquire to get possession of what may be obtained in unlimited quantities for nothing. Thus, in the instance of corn ground by a wind-mill, the action or labour of the wind in turning the machinery of the mill is the spontaneous gift of nature,

[1] Mr. Senior, the author of the able article on Political Economy, in the *Encyclopædia Metropolitana*, in his remarks on some definitions in this science published in the Appendix to Dr. Whateley's Treatise on Logic, states that the word labour signifies both the act of labour and the result of that act; observing that it is used in the second sense when we talk of accumulated labour. But the latter phrase is merely a compendious, though inaccurate, mode of signifying the accumulated products or results of labour. A steam-engine is the produce of labour, but no one ever thought of calling it labour.

and is therefore of no value, and fetches no price; so that the cost of grinding the corn, or the value of the work performed by the mill, is determined, partly by the wages of the persons employed in working the machine, and partly by its cost, the time it is employed, and its wear and tear. It cannot be doubted, to give another instance, that the impulse of the wind, and the buoyancy of the water, contribute quite as much as the skill or labour of the sailor to transport ships from one hemisphere to another. But the services performed by these agents is the free gift of Providence, and cannot be monopolised. And hence, in estimating the freight of goods brought from a distant port, the aid derived from natural agents is wholly neglected, and it is exclusively determined by the wages of the sailors and the value of the ship or capital.

It follows, therefore, that all effects may be properly considered as the product or sequence of labour of some sort or other: but their value is entirely dependant on the quantity of the labour of man, or of capital, that is, of the accumulated produce of the anterior labour of man, and of machinery, expended in bringing them about. Hence, when it is said that commodities are wholly produced by means of labour, reference is necessarily made to all sorts of labour, whether of man, capital, or natural agents. But when it is said, that the value of commodities or products is determined by the quantity of labour expended on their production, reference is made only to that species of labour which is possessed of value; that is, to the amount of human labour, or of capital expended, or both. When non-monopolised natural agents concur in production, what they do is done gratis. Their operations are often of vastly more consequence than those of man, or the capital produced by man; but as they are performed spontaneously, they are neither valuable themselves, nor can communicate that quality to any thing else.

It has been said by some of those who admit the accuracy of the principles now stated, that it might notwithstanding be advisable to restrict the term labour, so as to make it expressive only of the voluntary action of man and the lower animals, or of beings susceptible of the feelings of toil and privation; and to call the action or operation of machinery and natural agents by some other name. But a distinction of this sort, though in some respects perhaps it might be desirable, is on the whole objectionable; because it gives countenance to the idea that there is some radical difference between the labour of man and of machinery, whereas, in so far as the doctrines and conclusions of political economy are concerned, they are in all respects the same. If equal sums be expended on the wages of labourers, the maintenance of horses, and the hire of machines, the work performed by all of them will obviously be of the same value. And as all the investigations of this science turn upon questions connected with value, it is only reasonable that agents producing the same or similar values, how widely soever they may differ in other respects, should be regarded by the economist under the same point of view, and be designated by the same common term.

But admitting that it may be best to express the action of men, the lower animals, and machinery, that is, of men and capital, by the same common term, still it may be contended, that it is wrong to apply this term to express the action of natural powers or agents. But the production of a desired effect, of some sort or other, seems to be the best criterion of labour that can be adopted. When we succeed in employing water or wind in any industrious undertaking, it is uniformly said that we make them perform a part of what must otherwise have been wholly the work of man, that we make them labour or work for us. It is true, as already stated, that what such agents do is gratuitous; but their labour is not the less real on that account. The influence of the wind on the sails of a ship is as sensible as the influence of the hand on the helm or of a fire on the boiler of a steam engine; though, as it is not like them, either wholly or partially the immediate or remote result of human industry, it has no value.

Those who object to the application of the same term to designate the action of man, capital, and natural agents in the production of commodities are involved in inextricable difficulties. There are a variety of products which, after they are brought into a certain state, and are no longer subjected to the action of man or machinery, notwithstanding undergo further changes through the operation of natural agents, and acquire additional value. Now the question is, of what is this increased value the result? Those who contend that it is in no degree dependant on labour, say that it is a compensation for the time the capital vested in the commodities is retained in a state of inaction. But that this is not a satisfactory or accurate explanation, is obvious from the circumstance, that were no change produced upon the commodities, they might be retained in a cellar or a warehouse for the most lengthened period, without becoming more desirable, or acquiring the smallest additional value. Owing, however, to the change that has been effected, the commodities acquire greater utility, and become more in demand; while, as time is required for the completion of the change, they also acquire an additional value: the amount of this added value depending partly on the magnitude and waste of the capital, and

partly on the time during which it is employed, or which is required to produce the desired change.

There is not, in fact, any substantial difference, in point of principle, between the process of fermentation, carried on inside a cask of wine or beer, and the action of the wind on the sails of a ship, or the blades of a wind-mill. And if we may justly say that corn is ground by means of labour, we may also justly say that wine or beer is purified by its means. A cask of new wine is a capital which represents, or is the result of, the labour laid out in cultivating, gathering, and pressing the grapes of which it is made; and the natural processes carried on inside the cask have the same sort of influence on this capital that the action of the wind has on a ship or a mill. They produce the desired change or effect. The value of that change is not, however, dependant on them, but on the amount of capital, or of the produce of previous labour, that co-operated with them in the production of the effect, and the time during which it was so employed; quite as the cost of grinding corn does not depend on the wind or water that turns the mill, but on the amount of capital wasted in the operation.

M. Say is one of those who contend that natural agents, by contributing materially to the production of most sorts of commodities, not only add to the mass of useful and desirable products, but also to their value in exchange. (*Ils ont non seulement une valeur d'utilité mais une valeur échangeable.*[1]) This is a fundamental error into which Say was led from his confounding utility and value. There is, however, no more analogy between the utility of a commodity, or its capacity to satisfy our wants and desires, and its value in exchange, than there is between its weight and colour. M. Say observes, that when a manufacturer, by availing himself of some natural power, reduces the cost of an article from twenty to fifteen francs, those who purchase the commodity have five francs more than they had before to expend on other things. This is true; but instead of proving that the employment of the natural power has been productive of these five francs, or of any value, it proves the reverse. Those who buy the commodity at its reduced price obtain the same utility, or the same quantity of produce, as before the reduction took place; but they do this because the commodity has declined proportionally in value — because a natural power or agent whose services cost nothing, and which is therefore wholly incapable of communicating value to any thing, has been employed to perform a part of the work that had previously been performed either by man or by capital. It is singular, that notwithstanding this radical error was set in a very striking point of view by Mr. Ricardo, M. Say allowed it to continue to infect and vitiate every part of his work.

In conclusion, therefore, it may be observed that every useful or desirable result must be brought about by the action, operation, or labour of man, capital, or natural agents. Except, however, in cases where they admit of being monopolised and appropriated, the labour or action of natural agents being performed gratuitously, it follows that the value of the result or effect produced is to be measured by the quantity of capital, or of labour required to produce it.

[1] Traité d'Economie Politique, tome i. p. 36. 5me edit.

NOTE II.

DEFINITION, SOURCES, AND REGULATING PRINCIPLES OF VALUE.

A knowledge of the sources whence the value of commodities is derived, and of the principles by which it is limited and determined, being of essential importance in all inquiries in political economy, we shall here take leave to submit the following observations on these points, by way of supplement to those made by Dr. Smith in the fifth chapter of the first book of the Wealth of Nations, and other parts of that work.

I. *Definition of Value.*—When it is said that an article or product is possessed of value, it is meant that individuals are disposed to give some quantity of human labour, or some quantity of an article or product obtainable only by means of that labour, in exchange for it.

II. *Sources of Value.*—The power or capacity which certain articles or products possess of satisfying one or more of the wants and desires of which man is susceptible, constitutes their utility, and renders them objects of demand.

Possessing utility commodities derive their value from *two* sources:—*First*, from the labour required to produce, procure, or preserve them; or, *second*, from their being placed under a natural or an artificial monopoly.

(1.) An article may be possessed of the highest degree of utility, or of power to minister to our wants and enjoyments, and be universally made use of, without possessing exchangeable value. It is true that if it be destitute of utility of some species or other, it can never become an object of demand; but how necessary soever any article may be to our comfort or even existence, still, if it be a spontaneous production of nature — if it exist independently of human agency — and if all individuals may command it in indefinite quantities, without

any voluntary exertion or labour on their part, it is destitute of value, and can afford no basis for the reasonings of the economist. An article is not valuable simply because it is useful; but it is valuable when, having this quality, it cannot be procured except by the exertion of labour, that is, by the sacrifice of a certain amount of sweat and toil, or of its produce. It cannot justly be said, that the food with which we appease the cravings of hunger, or the clothes by which we are defended from the inclemency of the weather, are more useful than atmospheric air; and yet they possess exchangeable value of which air is totally destitute. The reason is, that the former are not, like the latter, gratuitous products; they cannot be had at all times and in any quantity without exertion; on the contrary, labour is always required for their production or appropriation, or both; and as no one will voluntarily sacrifice the fruits of his industry witbout getting an equivalent, they are truly said to possess value, or the power of exchanging for others produced under like circumstances.

(2.) The expenditure of labour, or of its produce, in the production or acquisition of commodities is not, however, the only source, though it be by far the most abundant one, of value. Provided a commodity or product in demand be appropriated and enjoyed by one or a number of persons to the exclusion of others, it may have exchangeable value, that is, other persons may be disposed to give a portion of their labour, or of its produce, in exchange for it, though it have not really cost its owners anything. This results from the circumstance of the commodity existing only in a limited degree of abundance, and consequently under such circumstances as admit of its being monopolised. A person who has a water-fall on his estate may sometimes get a considerable rent for it; and a person who has stumbled upon an antique gem may probably sell it at a very high price. The number of water-falls and of antique gems is limited, and cannot be increased; fresh capital and labour cannot be applied to their production; and, therefore, although the water-fall originally cost nothing, it may, notwithstanding, come to be let for a sum equivalent to the value of the labour it will save to those who employ it to give motion to machinery, or to produce some desired effect. The value of the gem will not be thus regulated: for, as the demand for it depends wholly on the caprices of taste and fashion, and on the wealth of those desirous to possess such rarities, it may fluctuate to almost any extent.

Abstracting, however, from those natural powers or capacities capable of being monopolised, and the value of which must always be limited by that of the labour they can save to those who employ them, such commodities as are either absolutely limited in their quantity or admit of being monopolised are but few and unimportant when compared with the mass of commodities in circulation. When, however, it is said that the labour of man is either immediately and directly, or remotely and indirectly, the chief source and limiting principle of exchangeable value, all descriptions of monopolised products and commodities are expressly or tacitly excepted, and reference is made to those only whose quantity may be increased to any extent by applying fresh capital and labour to their production, and which are not subjected to any species of fetter or restraint.

The word *value* has been frequently employed to express, not only the exchangeable worth of an article, or its capacity of exchanging for other things obtainable only by means of labour, but also its utility, or its fitness for satisfying our wants, and contributing to our comforts and enjoyments. But it is obvious that the utility of commodities — that the capacity of bread, for example, to appease hunger, or of water to quench thirst — is a totally different quality from their capacity of exchanging for other commodities. Dr. Smith perceived this difference, and showed the importance of distinguishing between utility, or, as he expressed it, the "*value in use*" of commodities, and their value in exchange. To confound such essentially different qualities must evidently lead to the most absurd conclusions. And hence, to avoid mistaking the sense of so important a word as value, it would be better not to use it except to signify exchangeable worth or value in exchange; and to use the word utility to express the power or capacity of an article to satisfy our wants or gratify our desires.

Having premised these observations with respect to the source or origin of value, the next object of importance is to discover the principle by which its amount is limited or determined.

Suppose that two commodities, A and B, are produced in the degree necessary fully to supply the effectual demand, or the demand of those able and willing to pay the expense of their production; that the quantity of each may be indefinitely increased; and that double the labour [1] is required to produce a given quantity of A that is required to produce the same quantity of B. Under such circumstances, 1 A would obviously exchange for, or be worth, 2 B. The labour required for their production forms, by the supposition, the only source and measure of

[1] It is, perhaps, unnecessary to remark, that the word labour means here, and in all discussions respecting value, unless the contrary be distinctly mentioned, the immediate labour of man, or the labour of the capital produced by man, or both; as explained in the note on Labour.

their value; and, therefore, if double the quantity of labour that is required to produce the one be required to produce the other, it must necessarily be of double value.

Hence it results that the value of such commodities as are the product of labour, and are not subjected to any species of monopoly, is determined, so long as their supply is adjusted according to the effective demand, by the quantities of labour required for their production.

It has been said, that it cannot truly be affirmed that the supply of commodities is ever adjusted precisely in proportion to the demand; and if reference be made to the entire mass of commodities, this is most probably true. But the producers are always endeavouring to establish this proportion; though, owing to the unforeseen changes which are perpetually taking place in the demand for certain articles, and in the supply of others, it generally happens, when a considerable number are brought to market, that the supply of some is either too great or too small, their value being in the former case, depressed below its natural level, and in the latter, raised above it. An unusually luxuriant harvest, by increasing the supply of corn above its average amount, sinks its value or price; while an unusually deficient harvest has an opposite effect; for by reducing the supply of corn below its average, it increases the competition of the buyers, and raises its value or price; though the quantity of labour expended on the crop in both years may have been about the same, and so of any other commodity.

And hence, in order to disentangle this important subject, and to set it in a clear point of view, it is necessary to distinguish between the *value* and *cost* of commodities or products. By the *first*, or the value of a commodity or product, is meant its power or capacity of exchanging for or buying other commodities or labour; and by the *second*, or its cost, is meant the quantity of labour which was required for its production or appropriation, or rather the quantity which would be required for the production or appropriation of a similar commodity at the time when the investigation is made.

I. Exchangeable value, or the capacity of exchanging for labour or its produce, is a quality inherent in every commodity for which there is any demand, provided any quantity of labour has been directly or indirectly expended upon it, or that it exists in limited quantities only. But this quality can neither be manifested nor appreciated, except when commodities are compared with each other or with labour. It is indeed quite impossible to speak of the value of a commodity, without referring to some one else, or to labour as a standard. No article, or product, possesses exchangeable value, except in relation to something else, that either is or may be exchanged for it. It would be quite as correct to talk about absolute height or absolute depth, as about absolute value. A is said to possess value, because it will exchange for a certain quantity of B or C; and it is evident, that this quantity forms the only attainable measure of, or expression for, the value of A; as the quantity of A forms the measure of or expression for the value of B or C.

It follows, from the circumstance of exchangeable value being the power which a commodity has of exchanging for others or for labour, that the exchangeable value of no single commodity can vary without occasioning a simultaneous variation in the value of every one with which it may be compared. Suppose that a bushel of corn exchanged, in 1830, for five shillings, and that it now exchanges for ten shillings; in this case, it is evident that corn has doubled in value as compared with silver; or, which is the same thing, that silver has lost half its value as compared with corn. This case is, *mutatis mutandis*, the identical case of all commodities or products exchanged for each other. If A rise, it must be in relation to something else, as B; and if B fall, it must be in relation to something else, as A; so that it is obviously impossible to change the relation of A to B without at the same time changing that of B to A.

It appears, therefore, that no commodity can be constant or invariable in its value, unless it will at all times exchange for, or purchase, the same quantity of all other commodities and of labour. Suppose A exchange for B, C, D, &c., its value will be constant, provided it always preserves its present relation to them, but not otherwise. And it is obvious, that to communicate this constancy of value to A. it is indispensable that those circumstances, whatever they may be, that now determine its relation to B, C, D, &c. should. in all time to come, continue to exert precisely the same comparative influence over it and them.[1] Experience, by exhibiting the value of commodities in a state of constant fluctuation, sufficiently proves that the circumstances under which they are actually produced are widely different from those now supposed. Perhaps, however, it may be worth while to observe, that had commodities been really produced under these circumstances, not A only, but every one else would have been an invariable standard; in the same way that any commodity in a market may be used as a standard to which to refer the value of the rest. It is evident too, that the possession of such a stand-

[1] The conditions essential to an invariable measure of exchangeable value were first clearly pointed out in the Dissertation on the Nature, Measures, and Causes of Value, p 17.

ard would be of no use whatever. All that it would teach us would be, that the circumstances which first made A exchange for B continued to affect them both to the same proportional extent; but of the nature of those circumstances, and the intensity of their operation, we should be left wholly in the dark.

II. But by carrying our researches a *little* farther back, we arrive at some more definite conclusions. Every commodity possessed of value must either be of the class which requires labour for its production or appropriation, and which may be produced in indefinite quantities, or it must be of the class of those that exist only in a limited quantity, or which are placed under a monopoly. But it has been already seen that the value of monopolised commodities does not depend on any fixed or ascertainable principle, but varies according to the varying tastes and wealth of their owners, and of those who wish to acquire them. This class being, therefore, left for the present out of view, suppose that A and B are commodities of the former class, which readily exchanged twelve months since for each other; and suppose farther, that 1 A now exchanges for 2 B: the fact of this variation having taken place, will communicate nothing that can teach us how it has arisen; for it may have been occasioned by causes exclusively affecting A, or exclusively affecting B; or which have affected them both, but in unequal degrees. It is clear, however, that were it really impossible to trace these causes, and to determine their operation, the science of political economy, as now understood, could not exist; inasmuch as it would be worse than idle to set about inquiring into the causes which determine the value of commodities, were value altogether capricious, and dependant on no fixed principle.

But we are not thus left in the dark. Let it be supposed that when A and B were brought to market twelve months since, the supply of each was adjusted pretty exactly in proportion to the demand. It is plain that, under such circumstances, their value must have been limited, and determined exclusively by their cost, that is, by the quantity of labour required to produce them and bring them to market.

Now the subsequent variation in the relation of A to B could only arise from some variation in the demand for them as compared with the supply, or from some change in the quantities of labour required for their production, or partly from the one cause and partly from the other.

With respect to the influence of variations in the supply and demand, it would be easily appreciated, and could not obtain for any considerable period. The producers of commodities, the demand for which has increased in a greater degree than the supply, obviously gain more than the common and average rate of profit, while the producers of those for which the demand has declined faster than the supply, must as obviously gain less than this common and average rate. In such a case, therefore, capital would begin to be transferred from the production of the latter class to that of the former, and would continue flowing in that direction until the supply of those commodities which were more in demand had been sufficiently augmented, and those which were less in demand had been sufficiently reduced, and conversely. M. Garnier has set this subject in a clear point of view. "Ce qu'une sage administration publique," says he, "doit desirer, ce qu'elle doit chercher à établir, c'est que toute marchandise ou production soit à son *prix naturel*. Toute déviation du prix naturel est un désordre et porte dommage à la richesse nationale. Les marchandises et productions qui sont à leur prix naturel sont celles où la consommation et la reproduction ont toute l'étendue et l'activite dont elles sont susceptibles. Il est de l'intérêt du consommateur de ne donner ni plus ni moins que l'équivalent de chaque article qu'il consomme. S'il est forcé de donner plus que l'équivalent, il faut qu'il s'impose, pour y suffire, la privation de quelque autre chose qu'il aurait eu droit de consommer avec ce surplus. S'il paie moins que l'équivalent, il décourage la reproduction, et il ne tardera pas à éprouver les effets d'une rareté qui l'obligera à sacrifier beaucoup plus que l'équivalent, et lui fera payer beaucoup plus que la vileté momentanée du prix lui a fait gagner. Il est également de l'intérêt du producteur, soit manufacturier, soit agricole, de vendre à ce prix naturel qui lui rembourse le juste équivalent de ses avances avec le profit convenable. S'il reçoit plus que cet équivalent, la consommation ne sera pas longtemps sans diminuer, et il perdra bientôt, par le rétrécissement du marché, fort au-delà du bénéfice accidentel produit par l'exagération du prix. *Il n'y a de durable que le prix naturel*; ce n'est que sur ce prix qu'on peut établir des calculs certains et entreprendre des spéculations vraiment avantageuses. Tout gain, toute économie qui procède d'une déviation du prix naturel, est un appât trompeur, comme celui d'une loterie, dont les perfides présens sont toujours les avant-coureurs d'une perte plus considérable."[1] It is clear, therefore, that no permanent variations in the value of commodities, can ever be occasioned by fluctuations of supply and demand, and that they must arise from some other cause.

Now this cause can be no other than a variation in the cost of commodities, or in the quantity of labour required to produce

[1] Richesse des Nations, tome v. p. 289. ed. 2de.

one set, as compared with that required to produce another set. Suppose that the commodities A, B, C, &c., exchange for each other. If A suddenly rise in value as compared with the others, the presumption might be, supposing we were ignorant of the circumstances, that something had occurred to increase the demand for A, or to lessen its supply, or both. But these are temporary and accidental causes of variation, and must, for the reasons stated above, speedily disappear. And hence, if A continued to maintain its increased value as compared with B, C, &c., it would be a conclusive proof either that the quantity of labour required for its production had been increased, or that the quantity required for the production of the others had been diminished. It is labour, therefore, that is the true and only measure of the cost, or as it has been sometimes termed, the *real* value of all things; and where there are no monopolies, and the supply of commodities is proportioned to the effectual demand, their exchangeable value and cost are identical; so that in every such case the quantity of labour required for their production is a measure both of the one and the other.

These principles are in the main the same with those laid down by Dr. Smith in the beginning of the fifth chapter of his first book. "The *real price* of every thing," says he, "what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire with the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command."[1]

The quantity of commodities produced by equal quantities of labour is not always equal: but the *cost* of an article depends on the quantity of labour, or of toil and trouble, expended on its production, and not on the mode in which it has been expended, or the degree of its productiveness. The various inventions and discoveries by which the productive powers of labour are augmented, add nothing either to its value or to that of the commodities produced by its means. A day's labour in a rude state of society, when the arts are in their infancy, and machinery comparatively inefficient, yields a very different quantity of produce from a day's labour in an advanced and civilised period when the arts are highly improved, and the most powerful machinery is universally introduced. Nothing, however, can be more obvious than that the sacrifice made by the labourer is quite as great in the one case as in the other. The variation is not in the amount of physical force, or of labour exerted by the agent that produces, but merely in the mode in which that force is applied But, however the same quantity of labour may be laid out, and whatever may be the magnitude of its produce, its performance unavoidably occasions the same sacrifice to those by whom it is performed; and hence it is plain that the products of equal quantities of labour, or of toil and trouble, must, however much they may differ in amount, always *cost* the same, and have generally, therefore, the same value.

Suppose an individual could produce two pecks of wheat by a day's labour in 1830, and that, from being obliged to cultivate bad soils, or any other cause, he can now with the same labour produce only one peck: this single peck will be deemed by that individual, and by every one else, to be of the same value that the two were before. It has cost the same amount of sweat and toil; and it will, consequently, exchange for, or buy, the identical quantity of such commodities as continue to be produced by the same amount of labour as in 1830, that the two pecks did then. Nothing that is valuable can be obtained except by some voluntary exertion of labour or physical force. This is the price that man must pay for all things not spontaneously furnished by nature; and it is plainly by the magnitude of the price so paid, and not by that of the things themselves, that their value is to be estimated.

It appears, therefore, that the *value* of any commodity is measured or determined by the quantity of some one else, or of labour, for which it will actually exchange; whereas the *cost* of a commodity is measured or determined by the amount of the sacrifice expended upon it, or, which is the same thing, by the quantity of labour required to produce or obtain it.

It follows from what has been previously stated, that the cost of a commodity, or its value estimated in labour, may increase at the same time that its value estimated in any other commodity may diminish, and con-

[1] *Ibid.* p. 13.

versely. Suppose A and B are commodities produced by equal quantities of labour, and that their supply at market is proportioned to the effectual demand, their value and cost will in such a case be equal. Suppose now that, from some cause or other, the quantity of labour required to produce A is doubled, and the quantity required to produce B trebled: in this case it is plain that the cost of A will be double what it was before; but as the cost of B has increased still more rapidly, the value of A will sink as compared with that of B in the proportion in which the labour required to produce B exceeds that required to produce A, or in the ratio of two to three. And on the other hand, it is plain that if the cost of both A and B had declined, but in unequal degrees, the value of the one whose cost had declined least rapidly would have increased as compared with the other.

Assuming, then, that the quantities of labour expended on the production of commodities is the sole determining principle of their cost, it follows that, if any commodity required at all times the same quantity of labour, or of toil and trouble, for its production, its cost would be invariable. It is obvious, however, that there is no such commodity. The varying fertility of the soils to which recourse must successively be had, and the various improvements that are always being made in the application of labour, occasion perpetual variations in the quantities required to produce all sorts of commodities. And, therefore, it is not to any one commodity, or set of commodities, but to some given quantity of labour, that we must refer for an unvarying standard of cost or real value.

It has sometimes been said, that if such a commodity as that now supposed did really exist, it might be appealed to on all occasions, as an unerring standard by which to ascertain the value in exchange of other things. But it is obvious that it could not be so appealed to, unless the value of commodities and their cost were at all times identical. This, however, is but occasionally and rarely the case. The value of a commodity is liable to be raised above its cost, either by a sudden increase of the usual demand, or a sudden deficiency of the usual supply, and to be depressed below it by the opposite circumstances. And though it be true that any given fluctuation is seldom of very considerable duration, yet as the causes of fluctuation are perpetually recurring, a special inquiry must be made, in each particular instance, to ascertain whether they are really in operation, and the extent of their disturbing influence. We should, therefore, be involved in the most inaccurate conclusions were we to assume that the mere equality of the labour required for the production of a commodity rendered it in all cases an accurate measure or standard of marketable value; for the value of that commodity might vary from the influence of causes affecting itself, though extrinsic to, and independent on, the quantity of labour required for its production; or it might vary from similar causes operating on the commodities with which it was compared. If A were always produced by the same quantity of labour, and if B and C were produced by varying quantities of labour, then, if value depended on nothing but quantities of labour, or if it always bore the same relation to these quantities, we should be able, by comparing B and C with A, to say at once, whether their value had remained constant, or to point out the precise extent to which it had varied. But when there are other causes which may affect the value of A itself, as well as the values of B and C, it is obvious we should not be able, by merely comparing A with the others, to say, when a variation took place in the relation that previously obtained amongst them, whether it had been occasioned by causes exclusively affecting A, or exclusively affecting B and C, or whether they had all been affected, though in different degrees.

But although a knowledge of the comparative quantities of labour, required for the production of non-monopolised commodities may not enable us to pronounce as to their exchangeable value at any given moment, we may notwithstanding be assured that it must, generally speaking, be identical with their cost. The latter forms as it were the centre or pivot round which the former oscillates; and when a sufficiently lengthened period is taken into account, the oscillations on the one side balance those on the other; so that the medium market, or exchangeable value of the commodities in question uniformly coincides with their cost or real value, that is, they exchange for each other, at an average, according to the quantities of labour required for their production.

When it is said that the cost of a given quantity of labour or its produce is always equal, it is not meant to affirm, that those by whom labour is bought uniformly give the same proportion of the produce of an unvarying quantity of labour for equal quantities of it. What is really meant is, that when the market is not affected by real or artificial monopolies, and when the supply of commodities is equal to the effectual demand, their cost or the quantities of labour required for their production will determine the proportions in which they exchange for each other, and for labour. A commodity produced by a certain quantity of labour will, under the supposed circumstances, uniformly exchange for, or buy any other commodity produced by the same quantity of labour. It will never, however,

exchange for exactly the same quantity of labour that produced it[1]; but though it will not do this, it will always exchange for or buy as much labour as any other commodity produced under the same circumstances, or by an equal quantity of labour, with itself. When an individual exchanges capital or commodities for labour, he really exchanges the produce of labour that has been for labour that is to be performed. It is obvious, too, inasmuch as there is no fund except capital, or the commodities produced and actually existing in a country, to feed and support the labourers employed in the production of new commodities, that their wages, or the quantity of produce they receive in payment of their labour, must vary according to the variations in its amount, and in their number. At one period they may be so numerous, compared with the capital that has to maintain them, that a labourer may be willing to offer an entire day's labour for the existing produce of half a day's labour; while, at another period, the number of labourers, compared with capital, may be so much reduced, that he may be able to obtain the produce of ten or eleven hours' performed labour for twelve hours' future labour. But the cost, and, in all ordinary states of the market, the exchangeable value of the commodities, on which equal quantities of labour are laid out, is not affected by these variations. The change is not in the principle that regulates and determines value — the physical exertion, or the sweat and toil of the labourer — but in what he obtains for it. What he produces or acquires by equal quantities of labour, always costs him the same sacrifice, and has, therefore, the same real value, whether it be large or small. He gives a constant, but receives a variable, quantity in its stead.

In stating that the quantity of labour required to produce commodities is the only determining principle and measure of their cost, and also of their *average* exchangeable value, it is taken for granted, of course, that all sorts of labour are reduced to the same standard of skill and intensity. The inequalities in the physical force of such individuals as have attained to their full growth, and are perfectly formed, are in themselves not very material; and when they are considered in a general point of view, they entirely disappear, for, whatever superiority may obtain amongst a few on the one hand, is sure to be balanced by a corresponding deficiency amongst as many on the other.

It may, perhaps, be thought, that though the statements and reasonings by which it has been endeavoured to trace all permanent variations in the value of commodities not subject to any species of monopoly, to variations in the amount of labour required for their production, should be in other respects conclusive, they are defective, inasmuch as nothing has been allowed for the value of the *raw material* of which they are composed. But it is easy to see that no such allowance should be made. Raw material is the free gift of Providence, and is therefore, wholly destitute of value. Suppose, to illustrate this, that you take any article of convenience or luxury in your possession, and abstracting from it all that it owes to labour, observe what you will have at last. Take, for instance, a gold watch: if you abstract from it all that it owes to the labour of the watchmaker, the smelter and refiner of the ore, the miner, &c. you will have, in the end, only a few grains of mineral sunk six hundred fathoms, perhaps, below the surface of the earth, and as absolutely destitute of value as the dust you trample under foot. We say destitute of value; for, it will be observed, that when the miner has dug his way down to these grains of mineral, he gets them for the lifting; so that their value, when brought to the surface of the mine, is wholly dependant on the labour required to fetch them there. The same principle holds universally. We often hear, to give another instance, of the value of the raw material in a piece of cotton cloth. But what is so improperly called raw material, is the cotton in a pretty advanced stage of its manufacture, and after a great deal of labour has been expended upon it. The raw material of cotton consists wholly of the carbon and other constituent elements of the plant; which being gratuitously furnished by nature, are, for that reason, completely destitute of all value in exchange. A similar analysis might be made in respect of all other commodities: and in no case would it be found that their value is in any degree dependant on quantities of matter; but that in all cases in which a natural or an artificial monopoly is not interposed, it is wholly owing, in periods of average duration, to the labour necessary to appropriate that matter, or to give it the desired shape, or both.

The principal results of the previous statements and reasonings may be summed up as follows: —

1st, That the utility of certain articles or products, or their capacity to minister to our wants and desires, renders them objects of demand; and is, consequently, the cause of labour being expended on their acquisition, or, in other words, of their value.

2d, That the *value* or power of one commodity to exchange for another is measured

[1] In point of fact, it will always exchange for more; and it is this excess that constitutes profits. No capitalist could have any motive to exchange the produce of labour already performed for the produce of the same quantity of labour to be performed. This would be to lend without receiving any interest on the loan.

by the quantity of any other commodity, or of labour for which it will exchange; and that this quantity depends upon, and is regulated partly by, the quantities of labour required for the production of the commodities compared together, and partly by the state of their supply as compared with the demand.

3d, That the *cost* of a commodity is measured by, and is wholly dependant on, the quantity of labour required for its production.

4th, That to whatever extent fluctuations in the demand and supply of freely produced commodities, whose quantity may be indefinitely increased, may sometimes raise their value above, they must at other times equally sink it below their cost; so that at an average their value and cost are identical, and depend upon, and are measured by, the quantities of labour required for their production.

NOTE III.

NATURE, ORIGIN, AND PROGRESS OF RENT. — INFLUENCE OF IMPROVEMENTS ON RENT.

THERE are few parts of the Wealth of Nations more unsatisfactory than the chapter on rent. It contains, indeed, many curious and valuable disquisitions on several topics connected with rent; but it hardly touches on the fundamental questions with respect to its origin, nature, and causes. Those theoretical principles which had not been discovered by his precursors, were not discovered by Dr. Smith: it was left to others to ascertain the causes of rent, the laws which determine its amount, and the manner in which it is affected by the progress of society.

The price of every commodity, according to Dr. Smith, must at an average be at least sufficient to replace the capital expended in its production, together with the ordinary profits of stock; because, if the price were permanently lower than this, the commodity would not be produced. But although this be the lowest price at which a commodity can be sold for any length of time, it is not the highest. Some commodities, indeed, can never permanently sell for more than the lowest price which will enable them to be brought to market; but others can. Corn, cattle, and all the most important articles of raw produce belong to the latter class; their price is usually such as to leave a surplus, after replacing with average profits the whole expense of their production and conveyance to market; and this surplus falls to the landlord, since competition will not allow the farmer permanently to receive a profit on his capital exceeding what it would yield in other trades.

Dr. Smith's investigations appear to have stopped at this point. It is obvious, however, that the nature of rent was yet only half-explained, or rather was not explained at all. It is no explanation to say, that rent is a surplus above the ordinary profits of stock; because the fact to be explained is the existence of such surplus. If the price of manufactured goods be limited to the sum necessary for replacing the capital expended on their production, with ordinary profits, and if competition will not allow it for any length of time to exceed this limit, how is it that competition does not also keep down the price of raw produce to the same limit? Dr. Smith seems to have considered this discrepancy as not requiring any explanation, or as being sufficiently accounted for by the greatness of the demand. "There are some parts," says he, "of the produce of land, for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market" (p. 67.): a reason with which he could hardly have been well satisfied, and which he had not certainly deduced from any very careful analysis. A great demand is by no means sufficient to account for a high price. There are some commodities which, whatever may be the demand, must always be cheap; because they may always be produced and brought to market at a small cost. Others, however trifling the demand, must always be dear; because were they not dear, the heavy cost of bringing them to market would not be defrayed. Price, in short, does not depend upon magnitude of demand. To occasion a high price, the demand must be attended with some principle of limitation in the supply. Had Dr. Smith attended to this important truth, of which he has elsewhere shown he was well aware, he would have proceeded to inquire what is the limiting principle in the case of corn; and in prosecuting this inquiry he would most probably have detected the true theory of rent.

In the preceding note on Value, commodities were divided into two classes: those which cannot be increased in quantity as the demand increases, and those which can. It was shown, that there is no limit, to the price of the former class except the inability or unwillingness of the purchasers to give more; but that, the price of the other class, comprising the great mass of the physical objects of human desire, is determined by the cost of production; that is, by the quantity of labour required to produce them and bring them to market. Corn and other farm products belong to the latter class; for their quantity may be increased by additional labour, so as to meet any conceivable increase of demand. Their value, therefore, depends upon the cost of their production. But there is a peculiarity in the circumstances under which they are produced which causes an apparent deviation from this law.

The value of every thing not limited in

quantity depends upon the cost of its production. But the cost of producing some commodities cannot be reduced to the same uniform standard, certain quantities being occasionally produced at one rate, while other quantities are necessarily produced at a different rate. Suppose, to illustrate this principle, that an article may be produced in two ways, one of them being much less expensive than the other, but depending on the use of peculiar means or instruments which exist in a limited quantity; and let it be supposed that there is a greater demand for the article than can be supplied in the cheaper of the two ways, so that recourse must be had to the dearer. Under these circumstances the price of the commodity will evidently be determined by the cost of that portion which is *produced with the greatest difficulty*, or by the least effective means; for, unless the price were such as to indemnify the producers of this portion they would withdraw from their business, and the necessary supply would no longer be obtained; while, if it were more than adequate for this purpose, their profits would exceed the average amount,—a circumstance which the competition of other capitalists would necessarily prevent.

It is clear, however, that a price which affords the ordinary profits of stock to those who manufacture commodities by one process, will afford an extraordinary profit to those who manufacture them by a more effective or less expensive process. And if the means or instruments by which the cheaper process is carried on be engrossed by or belong to one or more individuals, the whole extra profit which it yields, that is, the whole amount of produce manufactured by it beyond what is manufactured by the less efficient process, will belong to its engrossers or proprietors, and may be called *rent*.

Hence it appears that any commodity in producing which equal capitals or equal quantities of labour do not yield equal returns, may yield rent, whenever the supply obtained through the agency of the most productive capital becomes inadequate to the demand. The price of such commodity must always be sufficient to replace with its ordinary profit the least productive of the capitals employed in raising it; but, if the produce raised by this capital afford ordinary profits, an equal amount of produce will yield ordinary profits to each of the other and more productive capitals: and whatever any of them produces beyond this amount, constitutes a fund to the extent of which rent may be paid.

The produce of land is obtained under circumstances precisely analagous to those now supposed. The supply of corn or cattle may be indefinitely increased by the employment of additional capital and labour, but it cannot always be increased in the same proportion to the delay. A double capital employed in the manufacture of cottons, woollens, and silks, generally produces a double quantity of these articles; but a double capital employed in agriculture seldom yields a double quantity of corn. In the earlier stages of cultivation the quantity of produce may, perhaps, be doubled, or more, by doubling the outlay. But land does not admit of being indefinitely forced with an equal return. And notwithstanding the frequent occurrence of improvements, it is invariably found in the long run that their influence is overbalanced by the decreasing productiveness of the land; and that, speaking generally, additional supplies of food can only be obtained by a greater proportional sacrifice of capital and labour.

When an increased supply of corn is required, it may be got in one of two ways. Uncultivated land may be taken into cultivation; or the old land may be made more productive by a better system of drainage, the use of more powerful manures and implements, the employment of additional cattle, hands, &c.[1] It is characteristic of both these methods of increasing the produce, that a diminished quantity is at an average, obtained in return for the same outlay. In the case of new land this is obvious, since it would have been cultivated before, had its cultivation not been less advantageous, all things considered, than that of the land which was cultivated. It is equally true, that when additional food is obtained from the old cultivated land, the new capital employed in its production rarely yields so much, in proportion to its amount, as the previous capitals. And were this not the case, none but the best lands (in fertility and situation), would be cultivated; for if the growing demands of the community might always have been supplied from the superior lands, without any enhancement of expense, the price of corn would never have been sufficiently high to enable the cultivation of inferior lands to be undertaken.

It being thus quite clear, that after a certain stage in the progress of cultivation, further supplies of food must be obtained (if obtained at all), not only at a greater absolute but at a greater comparative expense, it follows that when they are wanted, their price rises in proportion to the necessary increase in the cost of production; — and this, for one of the best possible reasons, viz. that otherwise the supplies will not be pro-

[1] This is what is meant by the application of additional capital. Inasmuch as all capital was originally produced by labour, it is the application of additional labour. Either the one phrase or the other may be used indiscriminately, as was explained in the note on Labour.

duced. The value of corn has consequently a constant tendency to rise with the increased demand occasioned by an increase of population. But the price which indemnifies the producers of the corn raised at the greatest expense, will more than indemnify the producers of that which is raised at the least expense; and a competition for the lands occupied by the latter will take place till the whole excess of produce raised on them, or its price, be offered to the proprietors as rent.

Had land always yielded the same or a greater proportional return to every fresh outlay of capital and labour, the entire supply of food required by the most populous nation might, it is obvious, have been raised from ten acres or even from one acre as easily as from millions. In such a state of things, prices could not have risen, and rent must have been wholly unknown. Neither could prices have risen, nor rent appeared, had there been an unbounded extent of good land. But the earth is of limited extent, and yields, generally speaking, a decreasing return, according as cultivation is extended, to equal outlays of capital and labour; and it is this that occasions a rise of prices, and gives birth to and determines the amount of rent.

When in the progress of cultivation that indefinable stage is attained at which the return to continued applications of capital to the lands already under tillage begins to decrease, additional capital will not be laid out upon them, nor will inferior lands be broken up, without a rise of prices. The agriculturists, it is plain, would prefer vesting their savings in other businesses to employing them in agriculture, unless prices were such as to indemnify them for the diminished returns obtained in the latter. But in advancing countries the increase of population raises prices to the limit required to obtain the necessary supplies of food; and in consequence of such rise fresh capital may be again applied either to the improvement of the best lands, or to the cultivation of those of a lower quality. As soon, however, as this new investment has been made, different capitals employed in cultivation will be yielding different products; and it consequently follows, that to whatever extent the produce of the superior lands, or of the capitals first laid out on improvements, exceeds the produce of the inferior lands, or of the capitals last laid out, to *that extent* will the profits realised by the owners or occupiers of the former exceed the ordinary and average rate of profit at the time, that is, they will constitute a nett surplus or rent.

Suppose, for example, that the productiveness of capital, on a particular piece of land, of the highest degree of fertility, begins to decline after it has been made to produce twenty bushels of corn: let it be supposed, that by superadding another capital equal to the first, not twenty, but fifteen bushels are added to the crop. These fifteen bushels may be said to be the produce of the second capital, and the twenty bushels of the first. As soon as this additional supply is called for, by an increase of demand, corn must rise until the fifteen bushels fetch as high a price as the twenty did before; for these at their former price, did not afford more than the usual profits of stock; the fifteen bushels, therefore, will not afford this much until they rise to that price. But as the capitals are equal, when fifteen bushels come to afford ordinary profits to the second capital, they will also afford them to the first. Hence the remaining five bushels form a surplus above the ordinary profits of stock; and this being the case, competition will make the farmers agree to pay them as rent to the landlord.

To carry the illustration a little farther, suppose that population increases until it becomes necessary to raise a still greater supply of corn. This must be obtained by a farther increase of expenditure upon the soil, attended, most probably, with a still greater falling off in the proportional return. Suppose, for instance, that a third capital, equal to either of the foregoing, yields a return of no more than ten bushels. Before they are produced, ten bushels must fetch as much money as the twenty bushels did at first, and the fifteen afterwards. They will, therefore, yield the ordinary rate of profit upon the last outlay of capital. But if ten bushels afford the farmer the ordinary profit upon a third part of his stock, thirty bushels will afford him that rate of profit upon the whole. A surplus of ten bushels will therefore remain out of the produce of the first capital, and one of five out of that of the second,—in all fifteen; the whole of which, being above the ordinary rate of profit, will constitute rent.

This case does not strictly exemplify the real course of circumstances, though it corresponds with it accurately enough for the purpose of illustration. The decline in the proportional return to capital does not take place at regular intervals or successive stages, but gradually and imperceptibly. The fifteen bushels, and afterwards the ten, would not all be produced at the same cost; on the contrary, every bushel would probably, unless some improvement took place in the interim, cost somewhat more than that which preceded it. The slightest increase of demand would accordingly, in the absence of improvements, be attended with some rise of price; and every bushel, except the last, would yield a rent equal to the difference between its cost of production and that of

the last. When, therefore, there came to be a demand for the whole thirty-five or forty-five bushels, the land would in reality yield a much higher rent than five or fifteen bushels. But to attempt explaining in detail these minutiæ would produce only confusion and obscurity.

It is not, however, necessary in explaining the nature of rent to resort to hypothetical cases. The produce raised from the best lands under tillage in England and Wales may, at present (1838), be taken at a rough average at from forty to fifty bushels an acre, decreasing by imperceptible degrees down to twelve or fifteen bushels, the produce per acre raised on the worst lands under tillage. It seldom, however, costs more to cultivate an acre of the best land than it costs to cultivate an acre of the worst, and generally, indeed, not so much. But the fact of the poorest land being cultivated shows that the price of corn is sufficient to indemnify those engaged in its husbandry; and, consequently, as the outlay is about the same, if twelve or fifteen bushels be deducted from the produce of the best land, the residue, or from twenty-five to thirty-five bushels, will be a surplus received by its occupiers over and above the cost of production, — in other words it will be rent.

Let us now briefly recapitulate the principles we have endeavoured to establish:

1. That if the produce of land could always be increased in proportion to the outlay on it, there would be no such thing as rent.

2. That the produce of land cannot, at an average, be increased in proportion to the outlay, but may be indefinitely increased in a less proportion.

3. That the least productive portion of the outlay, which, speaking generally, is the last, must yield the ordinary profits of stock; and,

4. That all which the other portions yield more than this, being above ordinary profits, is rent.

Differences of proximity to market are a source of rent precisely analogous to differences of fertility. When corn, cattle, &c. raised on different lands sell in the same market, and consequently at the same price, the land which is nearest to the market, and pays least for carriage, has the same sort of advantage over the others that it would have were it more fertile. The price of the articles sold must be sufficient to indemnify *all* who bring any part of them to market; but if it indemnify those who bring them from the greatest distance, it will more than indemnify those who bring them from the least distance; and competition will compel the latter to pay the owners an additional rent equal to what they save in the reduced cost of carriage. The increased demand of towns occasioned by the increase of population not only tempts the cultivators in their vicinity to improve their lands more highly, but frequently makes large portions of their supplies be brought from a great distance. Hence it sometimes happens that the advantage of vicinity more than counterbalances the disadvantage of comparative barrenness, and that lands of inferior fertility in the immediate environs of a large town yield a considerable rent, while much richer land at a distance from good markets yields little, or, perhaps no rent. As vicinity to a town is a cause of rent, so vicinity to a road, navigable river or canal, by diminishing the expense of carriage to some great market, may have a similar effect. It must be kept in mind that it is not the absolute fertility or position of any given lands, but their superiority, in these respects, as compared with other lands, supplying the same market, that enables their cultivators to pay a superior rent. It is obvious, too, that the larger the surface from which any particular market draws its supplies, the higher, in proportion to their fertility, will be the rent of the lands in its immediate neighbourhood.

The two sources of rent above described, fertility and proximity to market, are totally distinct from those peculiarities of soil or situation which afford a rent on the principle of monopoly. Tokay, fine hock, chambertin, constantia, or any peculiar kind of produce, obtainable only from particular soils, and in limited quantities, may, from deficiency of supply, fetch a price exceeding, in any possible proportion, the cost of production. The whole of this excess, after deducting the ordinary profit upon the capital, naturally goes to the landlord. Land occupied with dwelling-houses, gardens, or parks, and possessing peculiar beauties of situation or disposition, is also of the nature of a monopolised article, and its rent is governed entirely by the demand. It cannot indeed yield less rent than if it were devoted to agriculture, but it may yield a vast deal more. When any situation affords greater facilities for business, as, for example, when a shop, by being in a fashionable part of the town, enables the occupier to obtain greater profits than could be made in a shop possessing no such peculiar advantage, this extra profit will be added to its rent. The reader will easily trace, in this and similar cases, how much of what is termed rent is analogous to the price of a monopolised commodity, and how much is analogous to rent properly so called.

If this account of the theory of rent be sufficiently clear and intelligible, it has the advantage of freeing it from a variety of objections which have been urged against it, though without any good foundation, when expressed in other language, and stated differently.

None of those who have explained the origin and progress of rent ever imagined that it depended wholly on the varying fertility of different soils. They knew that the inequality in the returns to the capitals successively expended on the same soil, was, as well as differences of soil, a source of rent. Not only indeed were they fully aware of this circumstance, but all of them have distinctly referred to it; and have left none of its effects on wages, profits, and values unexplored. But after its nature had been fully explained, when rent had to be alluded to, for purposes which did not make it necessary to advert to the distinction between its sources, it was thought more convenient to speak of differences of soil being the source of rent, than to refer at the same time to its other source, and speak at once of "the different qualities of the soil, and the differences in the returns to the capitals successively applied to the same soil;" it being supposed, of course, that the theory would be judged of by its detailed exposition, and not by incidental allusions. This laxity has, however, given occasion to misinterpretation. And it has been repeatedly urged, by those who contend that the theory of rent rests upon no good foundation, that there is no land which does not pay rent; that rent would exist though all land were of a uniform quality; and that all sorts of land invariably pay rent whenever they are taken into cultivation.

Any one who has read the previous statements will perceive that these assertions, in so far as they are true, may be deduced from the principle they are supposed to disprove. Rent being the result of the unequal returns of the capitals successively employed in agriculture, it follows, whether the land be of equal or unequal fertility, that it will all yield rent when it is all cultivated, provided additional capital be employed in forcing it with a diminished return. The capital employed to cultivate the last and worst portion of land produces a certain return; but, owing to an increased demand, it becomes necessary to force this land for further supplies; that is, to lay out more capital upon it with a diminished return, and hence all the lands will yield rent, though the last capital employed upon them yields only the ordinary rate of profit.

It is not, therefore, as is frequently imagined, in any respect essential to the truth of this theory, that there should be land in a country for which rent is not paid. It is established the moment it is admitted that a part of the capital employed in agriculture barely replaces itself with the ordinary profits of stock. The existence of large quantities of capital in every civilised country employed in the way now mentioned, is the circumstance that forms the real foundation of this theory; and it is one that neither has been nor can be called in question. The cultivators of the soil are actuated by the same principles that actuate those engaged in other departments of industry; nor do they ever hesitate about laying out capital on the land, provided they think there is a fair prospect of their obtaining the rate of profit current at the time. If, on the one hand, the last capital employed in agriculture yielded more than this, it would be the best of all businesses, and so much capital would be diverted to it, that prices would be reduced until they left only ordinary profits; and if, on the other hand, agriculture did not yield this much, capital would be withdrawn from it, until the rise of prices raised profits to their proper level.

The extent to which land yields rent depends wholly on the extent to which cultivation has been carried. In most extensive countries there are large tracts of barren land, apparently unfit for any useful purpose, and that could not, at all events, be cultivated with any thing like the present prices; and which it is exceedingly unlikely it will ever answer to cultivate at any future period. But it can never be necessary to inquire as to whether such is the case, in the view of deciding as to the correctness of this theory. It depends not on the existence of land that yields no rent, but on the fact that the last capital employed in cultivation yields, at an average, only the common and ordinary rate of profit. There are in Great Britain millions of acres that yield no rent; but though every rood of land in the empire paid a high rent, it would be still true that the produce raised under the most unfavourable circumstances, or by the agency of the capital last applied to the soil, pays no rent; and it is this portion of produce that determines the value of all the rest.

It is necessary to bear in mind throughout these discussions that we are using the word rent in its scientific, and not in its popular sense; and that we mean by it the sum paid by the occupiers of the land for the use of its natural and inherent powers. Land that would not yield any rent of this sort may notwithstanding, if houses have been erected upon it, or if it have been fenced, drained, manured, or otherwise improved, yield what is in popular language termed rent. But this is not really rent, but merely the return to, or interest of, the capital laid out on the land. It is the confounding of this return with what is strictly meant by rent, that makes it be believed that all qualities of land pay some, though it may only be a small, amount of rent. Lands offered to be let have, for the most part, houses upon them, and are generally in some degree im-

proved; and besides it is customary to let bad land in immense tracts, which generally include some fertile spots; so that a rent may be paid to the landlord for the use of houses and other improvements, or for small pieces of good land, while nothing is really paid him for the thousands of unimproved acres attached to the house, or to the more fertile patches. That such is, in fact, the case in all extensive countries is known to every one acquainted with the merest rudiments of rural economy.

It is farther objected to this theory, that it is a mistake to suppose that the most fertile lands are soonest taken into cultivation. Light and sandy soils, it is said, are usually first cultivated, while the clay and alluvial soils, though ultimately by far the most productive, require greater outlays of capital to bring them into cultivation than can be spared in the early stages of agriculture.

Now, admitting the facts to be as stated, it is singular how any one should suppose that they are in any respect subversive of the doctrines previously laid down. If the richest land be sometimes the last cultivated, it follows, indeed, that the last capital expended is not always the least productive; but it does not therefore follow that the least productive capital does not regulate the price, whether that capital be the first applied or the last. So long as the demand cannot be fully supplied by the culture of the richest and most fertile lands, those which are inferior must also be cultivated: and even though the latter were thrown out of tillage, it would still be true that the price of produce is determined by the cost of raising the portion obtained by the agency of the least productive capital, which it is necessary to apply to the ground.

This objection seems, however, to have been brought forward principally in the view of demonstrating the advantage of high prices. These occasion, it is said, the cultivation not merely of inferior land, but sometimes also of lands more fertile than any previously under tillage; and therefore they are beneficial! The fallacy of this statement consists in the misinterpretation of the phrase "fertile lands." It supposes fertility to be the peculiar attribute of lands on which a great quantity of produce may be raised, without reference to expense; whereas it really belongs to such lands as yield, not the greatest quantity of produce, but the greatest compared with expenses of cultivation. Suppose, there are two fields of the same extent in tillage, one of which yields 100 quarters, and the other 150; and suppose farther that 50*l.* were expended on the cultivation of the former, and 90*l.* on that of the latter. Under these circumstances, the land producing the 100 quarters would be deemed by an agriculturist, and by every one else, the more fertile of the two; inasmuch as fertility is never estimated by mere quantities of produce, but by the proportion which they bear to the necessary outlay. It might, perhaps, be possible, by forcing at an immense expense, to make an acre of some worthless moor in Wales or the Highlands, yield as much corn as is usually produced by an acre in the vale of Gloucester or the Carse of Gowrie; but would any one maintain that the moor was therefore as fertile? To suppose, indeed, that the more fertile lands should require higher prices to keep them in cultivation than the less fertile, is an obvious contradiction. It is true that in rude societies, when but little capital has been accumulated, it may sometimes be necessary to consider, in its employment, not what will afford the greatest, but what will afford the most immediate return. The want of capital may then hinder the cultivation of lands which might be advantageously cultivated were there means; but when the capital is found, and applied to these lands, then, if they be really more fertile than the old lands, that is, more fertile in proportion to the outlay, they will admit of being cultivated at a lower price than before, instead of requiring a higher. Land which needs a higher price to make it equally profitable to the cultivator may be the more productive, in as far as gross produce is concerned, but with a view to nett profit, — the only thing looked to by a practical agriculturist — it is unquestionably the more barren.

It has also been urged in opposition to this theory, that it regards the cultivation of inferior land as the cause of high prices. But this, it is alleged, is to invert the order of the phenomena; the cultivation of inferior soils not being the cause but the effect of high price, the latter being itself the effect of demand.

This supposed inversion is, however, altogether imaginary. Dr. Anderson and those who have supported his views, never contended that a high price of corn was caused by the previous cultivation of inferior land: what they have contended is, that it is caused by the necessity under which every increasing population is placed, of cultivating inferior land, or of being starved. The wants and desires of man make commodities be produced, and may, in consequence, be said to be the cause of their value; but it is the difficulty experienced in satisfying these wants and desires, or, in other words, the cost incurred in the production of commodities, that measures and determines this value. This is the principle laid down by all who understand any thing of the real nature of rent, and it is needless to say it cannot be in any degree affected by the petty cavils alluded to.

We must again repeat that the rent of land is not to be confounded with the con-

sideration, annual or otherwise, paid to the landlord on account of houses or fences, drains, or other improvements. These are as much a part of the capital employed in cultivation, as cattle, ploughs or thrashing machines, and differ only by being in general the property of the landlord. If the latter supplied, on the metayer principle, half the stock on the farm, part of his income would evidently be profit, not rent: nor is the case different when besides the land, he supplies the buildings, &c., required upon it; and which, if not supplied by him, must be provided for out of the capital of the farmer.

The rent of mines is regulated by principles similar to those which determine the rent of land. The cost of production at the least fertile mine which must be worked to obtain the required supply, regulates the price of the produce obtained from the others.[1]

The chief difference in principle between agricultural and mining rents, is, that the decrease in the returns to different portions of the capital employed on land, does not take place in mines. It is true that the difficulty of working mines increases as they become deeper. The return, therefore, to any new capital, applied to a mine, is generally, though not always, a diminished return; but the return to the old capital diminishes along with it: there are not, as in the case of land, two portions of capital vested in the same mine, one producing more, and another less. One of the consequences which flow from this distinction is, that the least productive mining capital may, perhaps, yield a rent. The productiveness of different mines does not differ by imperceptible degrees, like that of the capitals applied to the soil. If, for example, the richest mine could singly supply the demand of an entire country, or of the world, the undertaker might keep the price of its produce permanently above the cost of its production, provided he kept it a little below the cost of production at any other mine; and this surplus would go to the proprietor as rent.

A good deal of misconception has prevailed with respect to the effect of improvements on rent. It has been already shown that rent depends on the extent to which tillage has been carried; but the most common effect of improvements being to enable the same quantity of produce to be raised on a less extent of land, it would seem, on a superficial view, that they are injurious to the landlord. But there is no such opposition between his interests and those of the rest of the community; and it will be found, when rightly examined, that improvements are no less advantageous to the owners and occupiers of land than to others.

1. To have a distinct idea of the operation and effect of improvements, it may be proper to consider them both as applying generally to all sorts of land, and to some particular sorts only. In the first case, then, let it be supposed, to illustrate the principle, that the following quantities of produce are obtained from the different qualities of land cultivated, and the following rents paid, viz.:

A.	B.	C.	D.	E.	Qualities of land.
100	90	80	70	60	Quantities of produce obtained with equal capitals.
40	30	20	10	0	Rent.

Now, suppose an improvement is made which enables ten per cent. more produce to be obtained with the same outlay, and that this improvement extends to all qualities of land, the quantities produced, and the rent, would then be

110	99	88	77	66	Quantities of produce.
44	33	22	11	0	Rent.

In this case it is plain, that if the demand for corn were increased so as to take off the greater quantity brought to market, the landlord would not sustain any inconvenience whatever from the improvement, but would be immediately as well as permanently benefited by it. He would obtain a greater quantity of corn as rent; and not withstanding the reduction of its price, that greater quantity would exchange for the same quantity of other things that the smaller quantity did before. If, however, there were no increase of demand, ten per cent. of the capital at present employed in agriculture would be withdrawn from that business, so that the quantity of produce would be the same as before the improvement: the corn rent would also be the same; though as corn would, under the circumstances supposed, be ten per cent. cheaper, money rents would fall in that proportion. But it is abundantly obvious, that though the demand might not be immediately increased, so as to take off the whole additional quantity brought to market in consequence of the improvement, it would not remain constant. It is impossible, indeed, that such should be the case. The consumption of the lower classes, and the quantity of corn given to the horses employed in industrious undertakings, or kept for pleasure, is invariably increased when prices fall; at the same time that the stimulus which the fall gives to population, would of itself at no very remote period increase the demand, so as to absorb not only the increased quantity of corn, but to occasion the cultivation of fresh soils.

2. Let it now be supposed that the improvement is partial; that it affects the superior qualities of land only; and that

[1] See *ante*, p. 77. note.

the quantities produced after it has been carried into effect are as follows, viz.

A.	B.	C.	D.	E.	Qualities of land.
110	95	82¼	70	60	Quantities of produce after improvement.
50	35	22¼	10	0	Rent after ditto.

Now it is evident, that if the improvement in the productiveness of the qualities A, B, C, increased the produce brought to market, so as merely to lessen the extent of land of the class E under tillage, without causing its cultivation to be entirely relinquished, it would not affect prices; and the money rents, as well as the corn rents of the proprietors of A, B, C, would rise so as to enable them to gain the whole advantage resulting from the improvement.

If the whole of the class E were thrown out of tillage, corn rents would be as follows: —

A.	B.	C.	D.	Qualities of land.
40	25	12¼	0	Rent.

But in this case, as in the former, the contraction of cultivation would be of very short duration; for, owing to the increased cheapness, the demand would very speedily rise so as to require the renewed cultivation of E; so that any inconvenience that might by possibility arise to the proprietors in the first instance, would at most be only trifling and transitory, while the advantage would be great and permanent.

3. In the third and last case, let it be supposed that the improvement is greatest on the worst lands, and that it decreases as their fertility improves.

Thus suppose,

A.	B.	C.	D.	E.	Qualities of land.
100	90	80	70	60	Quantities before improvement.
40	30	20	10	0	Rent before ditto.
100	90	82½	75	70	Quantities after improvement.
30	20	12½	5	0	Rent after ditto.

If the improvement were so great as to throw E out of cultivation, rents would be 25, 16, 7½, 0. But as in this case the fall of price, and consequent rise of profits, would be very great, a proportionally powerful stimulus would be given to population; and the increased demand that would, at no distant period, be experienced, would be such as inevitably to bring the next qualities of land, or F, G, &c. under cultivation; so that in this, as in all other cases both corn and money rents would be in the end very greatly increased by the improvement.

These statements sufficiently show that, supposing an improvement were introduced so rapidly and widely as to occasion an immediate fall of price, and consequently of money rents, these effects would be of very limited duration; for the greater cheapness of raw produce, by increasing the demand for it on the part of the existing population; as well as by stimulating the increase of that population, could not fail speedily to raise prices to their old level, and even to carry them beyond it.

But it is material to observe, that these suppositions have been made merely to illustrate the principle, and that, in point of fact, they are never realised in practice. In the vast majority of cases improvements apply to all sorts of soil. They take place principally in machinery, in the rotation of crops, in the breeds of stock, the composition and application of manures, &c., which are generally applicable not to one or a few only, but to almost every description of land. Improvements, too, rarely if ever precede, but almost always follow, a rise of prices, occasioned either by an increased demand for raw produce, or by some previous scarcity. Neither do they ever rapidly spread over any considerable extent of country; they make their way only by slow, and indeed almost imperceptible degrees; and tend not so much to occasion any actual reduction of prices as to prevent their rising to an oppressive height. Improvements are at first adopted by a few of the more intelligent proprietors and farmers in different districts, and are thence gradually diffused throughout the country. This progress is, however, much more tedious than one not acquainted with the obstacles by which it is opposed might be inclined to believe. Improvements which effect material changes in long-established customs, have always been slowly and reluctantly admitted; but the agricultural class is the least of all disposed to innovation, and the most peculiarly attached to ancient customs and routine. "The farmer is not so much within the reach of information as the merchant and manufacturer; he has not, like those who reside in towns, the means of ready intercourse and constant communication with others engaged in the same occupation. He lives retired; his acquaintance is limited and but little varied; and unless he is accustomed to read, he is little likely to acquire any other knowledge of his art than what is traditionary — what is transmitted from father to son, and limited in its application to his own immediate neighbourhood."[1]

So powerful has been the influence of these circumstances, that notwithstanding the advances in agricultural science during the last century, and the efforts made to diffuse it, there is but a comparatively small portion of England and Scotland where the most improved system of husbandry is introduced, while in Ireland it cannot be said to be introduced at all. Even in some of the counties adjoining the metropolis, practices are persevered in that are utterly inconsistent with all the rules of good agriculture.

[1] Preface to Rigby's Translation of Chateauvieux on the Agriculture of Italy.

In the rich soil of Essex, the wretched system of fleet ploughing and whole year fallows, is still pretty generally followed; the agriculture of Sussex is said to be at least a century behind that of East Lothian or Norfolk; and in some of the midland counties it is customary to yoke four or five horses to a plough for the tillage of light land. "Those improvements that are well known and systematically practised in one county, are frequently unknown or utterly disregarded in the adjacent district; and what is to every unprejudiced observer evidently erroneous and injurious to the land, is, in some quarters, persisted in most pertinaciously, though a journey of not many miles would open to view the beneficial effects of a contrary practice."[1]

Practically, therefore, nothing can be more futile and visionary than to suppose that there is the least chance of improvements ever becoming, even for the shortest period, injurious to the landlords, in consequence of their introduction causing a fall of prices. There is not the shadow of a ground for supposing that they can ever be so rapidly diffused as to produce this effect; and the most extensive and successful improver may prosecute his patriotic labours, without any apprehension that either his efforts or example will be sufficiently powerful to occasion any glut of the market, or fall of price.[2]

The elucidation of the true theory of rent is one of the most important services ever rendered to this science, and has contributed in no ordinary degree to throw light on the constitution of society, and to clear up several important questions that were previously involved in all but impenetrable obscurity. The principles now explained show that the price of corn is not in any degree affected by the payment of rent; for that price depends wholly on the cost of the corn raised on the worst land, or by the last capital laid out on the soil, which, it has been shown, never yields more than the ordinary rate of profit. Rent is a surplus above and beyond the cost of production; and when inferior land is resorted to, or good land forced with a diminished return, this surplus must necessarily exist, and must belong to some one or other. The abolition of rent would not, therefore, enable corn to be sold one farthing cheaper. Such a measure, supposing it were carried, would convert farmers into landlords and landlords into beggars: but there its effect would stop. It could not have the slightest influence over prices. High rent does not occasion high prices, nor low rent low prices. Its payment entails no burden on any one; and nothing can be more futile and unfounded than to represent the income of the landlords in the light of a tax or tribute paid by the other classes.

Every one is aware that the landlords no longer enjoy, either here or anywhere else, the same influence and consideration that they enjoyed one or two centuries ago. This, however, is wholly a consequence of the extraordinary increase of manufactures and commerce, and consequently of the classes dependant on them. The extension and improvement of agriculture contribute powerfully to the advancement of the landlords; and but for this they would now have been comparatively much more depressed. Rent, as we have seen, increases with every increase of tillage; and whatever may be their immediate effect, all improvements, by diminishing the expense of cultivation, are sure in the end to be beneficial to the landlords by enabling the occupiers to pay proportionally higher rents. It is this latter circumstance, or their more efficient and less costly system of farming, that accounts for the high rents paid by the Scotch farmers as contrasted with those paid by the occupiers of as good or better land in most parts of England. The following statement shows how, in the progress of society, the landlords get both a greater absolute quantity of the produce of the soil, and a greater proportional share of that produce: —

Qualities of land in cultivation	A.	B.	C.					
Produce	100	90	80	aggregate	270			
Rent	20	10	0	—	30	=	⅓	produce.
Qualities of land	A.	B.	C.	D.				
Produce	100	90	80	70	aggregate	340		
Rent	30	20	10	0	—	60	=	⅛ do. nrly.
Qualities of land	A.	B.	C.	D.	E.			
Produce	100	90	80	70	60	aggregate	400	
Rent	40	30	20	10	0	—	100	= ¼ prod.

and so on. This shows the increased quantity and proportion of the produce of the land that accrues to the landlords in consequence of the mere extension of tillage; and the share, as has been already seen, becomes still greater in consequence of improvements. It is all but certain too, notwithstanding the counteracting influence of improvements, that the value of the landlord's share of the produce, as well as its quantity, is increased as tillage is extended.

The theory of rent explained in this note, was, as already stated, (Introductory Discourse p. xlvii.) first promulgated and satisfactorily established in a tract on the corn laws published in 1777, by Dr. James

[1] Kennedy and Grainger on the Tenancy of Land, Introd. p. 8.

[2] See *Principles of Political Economy*, 2d ed. pp. 452—457.

Anderson, a native of Hermandston in Midlothian. Anderson was at the period referred to, extensively engaged in farming in Aberdeenshire; but having removed to London in 1797, he edited various publications, and among others, "Observations in Agriculture, and Natural History, &c." in which he gave (vol. v. pp. 401—405.) a clear and able exposition of the nature, origin, and progress of rent. But notwithstanding these repeated publications, it does not appear that his profound and important disquisitions attracted any attention. And so completely were they forgotten that when Sir Edward West and Mr. Malthus published their tracts on rent, in 1815, they were universally regarded as the real authors of the theory. There is, we believe, no question as to their originality; but it may well be doubted whether they succeeded in explaining the theory as well as it had been explained about forty years before.[1]

[1] The tract referred to above is now very scarce. It is entitled, "An Inquiry into the Nature of the Corn Laws, with a view to the Corn Bill proposed for Scotland. Edinburgh. 1777." We subjoin an extract:

"It is not, however, the rent of the land that determines the price of its produce, but it is the price of that produce which determines the rent of the land; although the price of that produce is often highest in those countries where the rent of land is lowest. This seems to be a paradox that deserves to be explained.

"In every country there is a variety of soils, differing considerably from one another in point of fertility. These we shall at present suppose arranged into different classes, which we shall denote by the letters A, B, C, D, E, F, &c., the class A comprehending the soils of the greatest fertility, and the other letters expressing different classes of soils, gradually decreasing in fertility as you recede from the first. Now, as the expense of cultivating the least fertile soil is as great, or greater, than that of the most fertile field, it necessarily follows, that if an equal quantity of corn, the produce of each field, can be sold at the same price, the profit on cultivating the most fertile soil must be much greater than that of cultivating the others; and as this continues to decrease as the sterility increases, it must at length happen that the expense of cultivating some of the inferior classes will equal the value of the whole produce.

"This being premised, let us suppose that the class F includes all those fields whose produce in oat-meal, if sold at fourteen shillings per boll, would be just sufficient to pay the expense of cultivating them, without affording any rent at all. That the class E comprehended those fields, whose produce, if sold at thirteen shillings per boll, would free the charges without affording any rent; and that in like manner, the classes D, C, B, and A, consisted of fields, whose produce, if sold respectively at twelve, eleven, ten, and nine shillings per boll, would exactly pay the charge of culture, without any rent.

"Let us now suppose that all the inhabitants of the country, where such fields are placed, could be sustained by the produce of the first four classes, viz., A, B, C, and D. It is plain, that if the average selling price of oat-meal in that country was twelve shillings per boll, those who possess the fields D could just afford to cultivate them, without paying any rent at all; so that if there were no other produce of the fields that could be reared at a smaller expense than corn, the farmer could afford no rent whatever to the proprietor of them; and if so, no rents could be afforded for the fields E and F; nor could the utmost avarice of the proprietor in this case extort a rent for them. In these circumstances, however, it is obvious that the farmer who possessed the fields in the class C could pay the expense of cultivating them, and also afford to the proprietor a rent equal to one shilling for every boll of their produce; in like manner, the possessors of the fields B and A could afford a rent equal to two and three shillings per boll of their produce respectively. Nor would the proprietors of these fields find any difficulty in obtaining these rents, because farmers, finding they could live equally well upon such soils, though paying these rents, as they could upon the fields D without any rent at all, would be equally willing to take the one as the other.

"But let us again suppose that the whole produce of the fields A, B, C, and D, was not sufficient to maintain the whole of the inhabitants. If the average selling price should continue at twelve shillings per boll, as none of the fields E and F could admit of being cultivated, the inhabitants would be under the necessity of bringing grain from some other country to supply their wants. But if it should be found that grain could not be brought from that other country, at an average, under thirteen shillings per boll, the price in the home market would rise to that rate, so that the fields E could then be brought into culture, and those of the class D could afford a rent to the proprietor equal to what was formerly yielded by C, and so on of others; the rents of every class rising in the same proportion. If these fields were sufficient to maintain the whole of the inhabitants, the price would remain permanently at thirteen shillings; but if there was still a deficiency, and if that could not be made up for less than fourteen shillings per boll, the price would rise in the market to that rate; in which case the fields F might also be brought into culture, and the rents of all others would rise in proportion." —(pp. 46—47.)

[2] Mr. Malthus has no claim to be considered as the discoverer of the principle of population. Its constant tendency to outrun the means of subsistence had been set in a very clear point of view by Sir James Stewart, in the first book of his Treatise on Political Economy, and by the Rev. Mr. Townsend in his Essay on the Poor Laws, published (under the signature of a Wellwisher to Mankind) in 1786. But Mr. Malthus was the first to treat and unfold the subject in a systematic manner, and to show, by an extensive induction, the universal application and constant operation of the principle.

NOTE IV.

POPULATION.

Comparative Increase of Population, and of the Means of Subsistence.—Influence of the Principle of Increase on the Condition of Mankind. — Progress of Population in Great Britain — in Ireland. — Changes in the Laws of Mortality in Europe since 1780.

It has been already stated (Introductory Discourse, p. xlix.) that the publication of Mr. Malthus's Essay on the Principle of Population in 1798, was the first considerable improvement effected in the science posterior to the publication of the Wealth of Nations.[2] The prevalent opinion had previously been, that an increase of population was the most decisive mark of the prosperity of a state, and that it was the duty of government to stimulate its increase, by encouraging early marriages, and granting exemptions from onerous public services,

and bestowing rewards on those who reared the greatest number of children.

Mr. Malthus has set the erroneous nature of this policy in the most striking point of view. He has shown, by a careful examination of the state of countries in every stage of civilisation, and placed under the most opposite circumstances, that the number of inhabitants is everywhere proportioned to the means of subsistence; that the tendency of the principle of increase is not to fall below, but to exceed these means; and that, consequently, wherever the population is not kept down to its necessary level, by the influence of moral restraint, or by the exercise of a proper degree of prudence and forethought in the formation of matrimonial connections, it must be kept down by the influence of mortality originating in vice, want, and misery.

The different progress of population in different countries and periods is not a consequence of any variation in the principle or instinct which prompts man to multiply his species, but depends principally on the differences in the facility with which food, and the various articles necessary for his subsistence and accommodation, may be procured under different circumstances. The passion between the sexes has appeared in all ages, and under every diversity of circumstances, so nearly the same, that it may be called, in the language of mathematicians, a *constant* quantity; differing in this respect most materially from the power or capacity of acquiring subsistence which is liable to very great variation. But however great the facility with which subsistence has been sometimes obtained, population seldom fails to advance with, at least, a corresponding rapidity. This is particularly evinced by the progress of all those colonies, both in the ancient and modern world, that have been planted in advantageous situations, or in situations where the fewness of the aboriginal inhabitants, or their inferiority to the colonists in the arts of civilised life, has enabled the latter to extend themselves over the country. The Greek colonies of Syracuse and Agrigentum in Sicily, Tarentum and Locri in Italy, and Ephesus and Miletus in Asia Minor, rose from the smallest beginnings, in the course of one or two centuries, to an equality in power and population with their parent states. But not to dwell on these remote instances, the progress of the European settlements in America bears the most decisive testimony to the truth of what has now been stated. It has been proved that the population of some of the states of North America has, after making the most ample deduction on account of immigrants, continued to double for a century, in so short a period as twenty, or, at most, five and twenty years; and there seems little reason to doubt, had supplies of food, and other articles necessary for the accommodation of man, been increased in a more rapid proportion, that the population would have kept pace with their progress. But without entering upon any hypothetical reasonings as to what might have been the progress of population in the United States, under other circumstances, its actual increase shows that when the means of subsistence are supplied in sufficient abundance, the principle of increase is powerful enough to cause population to advance in a geometrical proportion, or in the ratio of the numbers, 1, 2, 4, 8, 16, 32, 64, 128, 256, &c. the term of doubling being five and twenty years. It follows, therefore, taking the present population of the United States at fifteen millions, that if it increase during the next hundred years at the same rate that it has done during the last hundred, it will amount, at the termination of that period, to 240 millions; and should it go on for a second century in the same proportion, it would amount to the prodigious sum of 3,840 millions!

It is easy, however, to show, in the *first* place, that in old settled countries like Great Britain, France, &c. the supply of food and consequently the population cannot be augmented so rapidly as in newly-settled countries like the United States; and, *second*, that the food, and consequently also the population of the United States, cannot continue to increase for any very considerable period, so rapidly as they have increased during the last hundred years.

When a country is thinly peopled, none but the best of the good lands need be cultivated; but after it has become densely peopled it is quite different. The superior lands being no longer able to furnish sufficient supplies of food, recourse must be had to those of inferior fertility, requiring a proportionally greater outlay to make them yield the same supplies. The ability to increase the supply of food, after population becomes pretty dense, so rapidly as when it is comparatively thin, being thus diminished, a corresponding check is given to the increase of population; and, instead of being doubled in five and twenty years, it may not be doubled in less than fifty or a hundred.

We have seen, in the preceding note on Rent, that the average productiveness of the best lands under tillage in England and Wales may be taken, at a rough average, at from forty to fifty bushels an acre; and that of the worst at from twelve to fifteen bushels. If, therefore, we had two countries with nearly the same knowledge of agriculture, the one cultivating soils generally yielding fifty, and the other soils generally yielding only twelve bushels an acre, the means of obtaining additional supplies of food would be more than *four* times greater in the former

than in the latter; and its population might, supposing their situation in other respects to be about the same, increase four times more rapidly.

Now this latter is the situation of America, as compared with Great Britain, France, and most other European states. The Americans are masters of an immense extent of rich and unoccupied land. They enjoy most of the advantages of civilisation, with but few of its inconveniences. They are acquainted with the various arts and sciences of Europe, and they cultivate those soils only that are of the highest degree of fertility. Their industry is, in consequence, comparatively well rewarded. Each cultivator having a great deal more produce than is required for his consumption, speedily accumulates capital, and has a proportionally great demand for labour. There is, therefore, every motive to form early marriages; while the comfortable situation of the parents enables them to bestow due attention to the rearing of their children, and lessens the mortality so destructive in the early period of life.

It is needless to say that the situation of Great Britain, and of all old settled, and comparatively populous countries, is widely different. Our most fertile lands have been long under tillage; and we are obliged to raise a portion of our food partly by forcing the more fertile lands, and partly by resorting to such as are inferior. The consequence is, that agricultural industry is here comparatively ill rewarded. The produce that remains to the cultivator, after the expenses of raising it are deducted, is considerably less than in America: and there is thus a proportionally slow increase of capital, of the demand for labour, and consequently of population.

But it must be kept in mind, that notwithstanding the facility of obtaining additional supplies of food is thus a good deal greater in the United States than in Great Britain and most other European countries, the sexual passion is quite as strong in the latter as in the former. Man, however, is not, like the lower animals, actuated by instinct only. The reason with which he is endowed enables him to perceive and appreciate, with more or less accuracy, the consequences of his actions, and to shape his conduct accordingly. In the United States every industrious individual, who has attained to a marriageable age, may enter into the matrimonial contract without dreading its results. But experience has shown that similar conduct on the part of most poor persons in this country could hardly fail of entailing ruinous consequences on them and their offspring. There are a few, no doubt, on whom this experience is thrown away; and who scruple not to enter into the most improvident unions. But the great majority act on sounder principles. They are anxious not to preserve merely, but to improve their own condition in society; and cannot bear the idea that their family should be in a worse situation than themselves. But to attain these ends a certain degree of foresight and restraint is commonly required. Hence marriages are very generally deferred to a later period than in America, and a larger proportion of the population pass their lives in a state of celibacy. And it is fortunate that this is the case — that the good sense of the people, and their laudable desire to maintain and better their condition, make them control the violence of their passions, and disregard the dicta of spurious advisers. Man cannot increase beyond the means of subsistence available to his support; and it is quite obvious that if the tendency to multiplication in countries advanced in the career of civilisation, and where there is, in consequence, a considerably increased difficulty of providing supplies of food, were not checked by the prevalence of moral restraint, or by the forethought and consideration of the people, it would occasion the constant prevalence of misery and famine. There is no alternative. The population of every country has the power, supposing food to be adequately supplied, to go on doubling every five and twenty years; but as the limited extent and limited fertility of the soil render it impossible to go on permanently producing food in this ratio, it unavoidably follows that unless the passions be moderated, and a proportional diminution be effected in the number of births, the standard of human subsistence will be reduced to the lowest assignable limit, and famine and pestilence will be perpetually at work to relieve the population of wretches born only to be starved.

II. The necessity under which the inhabitants of old settled countries are placed, of controlling the principle of population, in order to prevent the birth of a greater number of human beings than can be furnished with the means of subsistence, must, at no very distant period, be as sensibly felt in America as in either England or Holland. The rate of doubling every five and twenty years, which has continued in North America for a century, may perhaps continue during the next half century, or until the population has increased to sixty millions, but it is hardly possible to suppose that it should continue for twenty-five years longer, or until the population had increased to 120 millions. Before it attained to this magnitude, the inhabitants would be spread over the whole continent, vast as it undoubtedly is; the good lands would be all, or mostly all, occupied; and the supplies of

food required for the increasing number of inhabitants could only be obtained by a greater sacrifice of labour and expense from soils of inferior fertility. Sooner or later, therefore, population must, under any circumstances, arrive at that limit when the previous rate of increase cannot be maintained; so that unless the number of births be diminished by the greater prevalence of moral restraint or of some such check, the condition of the entire population will be depressed, and an increased rate of mortality will take place. Even though America were ten times more fertile, and ten times more extensive than she really is, a very few generations would see her peopled up to the highest limit to which, with her present system of cultivation, population could be carried. But when she arrived at this point, when lands of every description were forced for supplies of food, and when we may suppose its quantity could not, without great difficulty, be materially increased, the same power that is now doubling the population every five and twenty years would be in existence, and would, consequently, unless its operations were controlled by prudential considerations, deluge the country with the most appalling wretchedness.

Mr. Malthus has endeavoured to show, that while population may increase indefinitely in a geometrical proportion, or in the ratio of 1, 2, 4, 8, 16, 32, 64, &c., doubling every five and twenty years, supplies of food and other necessary accommodations could not be made to increase faster, during the same periods, than in an arithmetical proportion, or in the ratio of the numbers 1, 2, 3, 4, 5, 6, &c. But it is impossible to lay down any fixed or certain principle with respect to the increase of food. Perhaps it will be found that the ratio assigned by Mr. Malthus, if applied to countries in which the best lands are already under tillage, is too high. But whether Mr. Malthus have over or under stated the increase of food, is of no consequence. It is, at all events, true, on the one hand, that an increased difficulty of obtaining augmented supplies of food, though occasionally obviated for a while by new discoveries and inventions, is uniformly experienced, according as society advances and population becomes denser: while, on the other hand, it is equally true that the power to produce fresh human beings — a power capable of doubling the population every five and twenty years — sustains no diminution. And hence it results, as was stated at the commencement of this note, that the tendency of population is to outrun production; and that if this tendency be not countervailed by the prevalence of moral restraint, it will be counter-vailed by want, misery, and increased mortality.

It appears, therefore, that an increase of the means of subsistence is the only sure criterion of a permanent and beneficial increase of population. If these means be not increased, an increase in the number of marriages and births can be productive only of poverty and increased mortality. Such governments as attempt directly to stimulate population begin at the wrong end. The difficulty is not to bring human beings into the world, but to feed, clothe, and educate them when there. The principle of increase requires no artificial encouragement. We should never try to strengthen, but rather to control and regulate it. "The natural tendency to marriage is in every country so great, that without any encouragements, wherever a proper place for a marriage occurs, it is always sure to be filled up. Such encouragements must therefore be either perfectly futile, or produce a marriage where there is no room for one; and the consequence must necessarily be, increased poverty and mortality. Montesquieu, in his *Lettres Persannes* [1], says, that in the past wars of France, the fear of being enrolled in the militia tempted a great number to marry without the proper means of supporting a family, and the effect was, the birth of a crowd of children, *que l'on cherche encore en France, et que la misère, la famine et les maladies en ont fait disparoître.*"[2]

Wars, plagues, and epidemic disorders those "terrible correctives," as they have been justly termed by Dr. Short, of the redundance of mankind, set the operation of the principle of population in the most striking point of view. These scourges tend to place an old country in the situation of a colony. They lessen the number of the inhabitants, without, in most cases, lessening the capital that is to feed and maintain them. And the increased power over subsistence that is thus acquired by the survivors, accelerates the period of marriage and the increase of the population. The Netherlands, which has been so often the seat of the most destructive wars, has, after a respite of a few years, always appeared as rich and populous as ever. Notwithstanding the massacres of the Revolution, and the sanguinary wars in which France was incessantly engaged for more than twenty years, her population was considerably augmented in the interval between the expulsion and restoration of the Bourbons. The abolition of the restraints previously laid on internal commerce, of the feudal privileges of the nobles, and of several oppressive and unequal burdens, improved the condition and stimulated the industry of the people. The means of subsistence were thus considerably

[1] Lettre cxxii.

[2] Malthus on the Principle of Population, 5th ed. vol. i. p. 453.

increased; at the same time that the continued drafts for the military service, by lessening the supply of labour in the market, and raising the rate of wages, gave such a stimulus to the principle of increase, that in 1815 the population was supposed to be about three millions greater than it had been in 1789. The establishment of a tyrannical or vicious system of government, by paralysing industry, and diminishing the supplies of food and other accommodations, necessarily occasions a corresponding diminution in the number of inhabitants. But an accidental calamity, such as a war or pestilence, how afflicting soever to humanity, has no lasting influence on the average population of a country. The bigotry and oppressiveness of the government, and not the plague, is the cause of the depopulation of the countries subject to the Turks.

It was long a prevalent opinion that the emigrations to the New World had depopulated Spain, and it was also suspected that they had diminished the population of England. There is not, however, the least ground for any such opinion or conjecture. The depopulation of Spain proceeded from a very different cause,—from the vicious nature of her political institutions and the intolerance of her rulers. Ustariz, a Spanish author of distinguished talent, and who enjoyed the best means of acquiring accurate information, has proved that Andalusia, Biscay, and those provinces that have sent the greatest number of adventurers to the colonies, have, at the same time, been the most populous.[1] Voluntary emigration is never carried so far as to occasion any sensible diminution of the numbers of a people, or to raise the rate of wages. If it did this it would immediately stop. No considerable emigration takes place from this, or, indeed, any country in prosperous years; it is only when there is a slack demand for labour, or when provisions are unusually dear, that it is carried on upon a pretty large scale; at other times it is but trifling.

Mr. Malthus has been much blamed for what he has stated with respect to the ravages of the small-pox and other diseases; but it would seem that the greater number of the reproaches thrown out against him have originated either in misapprehension or in a desire to misrepresent his doctrines. "I am far from doubting," says he, "that millions upon millions of human beings have been destroyed by the small-pox. But were its devastations, as Dr. Haygarth supposes, many thousand degrees greater than the plague, I should still doubt whether the average population of the earth had been diminished by them. The small-pox is certainly one of the channels, and a very broad and deep one, which nature has opened for the last thousand years, to keep down the population to the level of the means of subsistence; but had this been closed, others would have become wider, or new ones would have been formed. In ancient times the mortality from war and the plague was incomparably greater than in modern. On the gradual diminution of this stream of mortality, the generation and almost universal prevalence of the small-pox is a great and striking instance of one of those changes in the channels of mortality which ought to awaken our attention and animate us to patient and persevering investigation. For my own part, I feel not the slightest doubt that, if the introduction of the cow-pox should extirpate the small-pox, and yet *the number of marriages continue the same*, we shall find a very perceptible difference in the increased mortality of some other disease."[2]

We do not see how it is possible, on any fair principle, to contest the accuracy of this statement. So long as the number of births, as compared with the means of subsistence, continues the same, so long must there be the same number of deaths The laws of nature are not to be defeated by human contrivances. We may, it is true, stop up one or more of the existing channels of mortality; but if we do not, at the same time, lessen the current that was carried off by their means, we shall assuredly open new ones, or enlarge those already opened, or both. The real advantage of medical discoveries, of improvements in the art of surgery, and of the greater prevalence of habits of cleanliness, sobriety, &c. amongst the poor, does not consist in their adding to the population, for nothing can do this unless the means of subsistence be at the same time increased[3], but in their enabling the population to be maintained with a less proportion of births and deaths, and consequently with a less amount of animal suffering. Whatever has a tendency to prolong human existence, tends also, by lessening the field for new comers, and adding force to the principle of moral restraint, to increase the prudential virtues, and to lessen the sum of human misery. The fact that the principle of increase is strong enough to repair the loss of the multitudes which famine, epidemics and war sweep into an untimely grave, can never be alleged as a valid reason why we should intermit our efforts to obviate such calamities. We are not to estimate their disastrous effects by the mere suffering they inflict upon their immediate victims, though that is sufficiently appaling; we

[1] Theory and Practice of Commerce, vol. I. p. 45. Eng. trans.

[2] Essay on Pop. vol. III. p. 136.

[3] This, of course, supposes the habits of the people not to be deteriorated.

must, at the same time, take into view the sorrow, and perhaps destitution of their surviving relatives and friends. Nothing surely that has any tendency to lessen the frequency of such calamities can be too highly valued; and this is what medical discoveries and improved habits and modes of living effect. They prolong the average duration of human life; and, by diminishing the demand for fresh supplies of children, discourage marriage, and cause the population to be maintained with fewer births, and consequently with a smaller waste of animal existences.

We must have a care, however, in treating of this important subject, not to exaggerate the principles now explained, or to conceal or underrate the influence of those by which they are countervailed. Food is indispensable for the support of human life; and it may be said that this condition of our existence has a natural tendency to make every man die of hunger! In point of fact, however, very few perish of want, and the tendency in question is, in the great majority of cases, far more than counterbalanced by the opposing principles to which it gives rise—by the industry and foresight which it enforces on the attention of every man. It is the same with the tendency to increase. If allowed full scope it would, as already stated, fill the fairest countries with want and wretchedness. But it rarely is allowed full scope. Man is not a mere slave of instinct: his conduct, speaking generally, is invariably influenced either in a less or greater degree by prospective considerations; and when we look at bodies of individuals we uniformly find that the period and frequency of marriages and the rate of increase, are determined by the increase of food, and that the latter is never outrun by the former.

Mr. Malthus did not sufficiently attend to these considerations; and they have been entirely left out of view by several of those who have since written on the subject of population. It has, for example, been contended that the greatest improvements in agriculture and the arts can effect no real or lasting improvement in the condition of the bulk of the people; that population speedily rises up to the higher level of subsistence; and that in the end the only difference is that we "have a greater instead of a smaller number of wretched families!" But as we elsewhere stated (Introd. Dicourse, p. li.), the principle of increase is not the bugbear, the invincible obstacle to all real improvement supposed by those who put forth such statements. It is always a difficult matter suddenly to change the habits of a people with respect to marriage. No doubt it is influenced by every change in their condition; but there is a *vis inertiæ* to be overcome that usually prevents habits from changing to the extent that circumstances change. Suppose that in consequence of the introduction of some new species of vegetable, some new or more powerful manure, or some other cause, the average annual produce of our agriculture were doubled, this would evidently increase the number of marriages; but there is no reason to think that they would be doubled, and though they were for a year or two immediately following the increase, they could hardly be so for more. But whatever might be the influence of the change on marriages, the population could not be doubled for very many years; and a period of at least eighteen or twenty years would have to elapse before the stimulus given by the improved condition of the population could bring a single fresh labourer into the field. It is clear, therefore, that during all this lengthened period the labourers would enjoy an increased command over the necessaries and conveniences of life; their notions as to what was required for their comfortable and decent subsistence would consequently be raised; and they would acquire those improved tastes and habits that are not the hasty product of a day, a month, or a year, but the late result of a long series of continuous impressions. There would in consequence be a greater prevalence of moral restraint; and the increase of population would be adjusted so as permanently to maintain the bulk of the people in possession of their augmented comforts.

[1] The change that has taken place in the manners, dress, and diet of the English people since the sixteenth century is much greater than those who have not paid some attention to the subject would, at first, be disposed to believe. Erasmus, who visited London in the reign of Henry VIII., ascribes the sweating sickness, and the plague, from which England was then hardly ever free, to the incommodious form and bad exposition of the houses, the nastiness of the streets, and the almost inconceivable slattishness that prevailed within doors. "Conclavia," says he, "sola fere strata sunt argilla, tum scirpis palustribus, qui subinde sic renovantur, ut fundamentum maneat aliquoties annos viginti sub se fovens sputa, vomitus, mictum canum et hominum, projectam cerevisiam, et piscium reliquias, aliasque sordes non nominandas." Hentzer, speaking of the *presence chamber* at Greenwich Palace in the time of Queen Elizabeth, observes, that "the floor, after the English fashion, was *strewed with hay*." Chimnies were hardly known in England previously to the sixteenth century. Dr. Heberden, whose excellent tract on the *Increase and Decrease of Diseases*, contains a great deal of curious and important information on this subject, is clearly of opinion that the great plague, which raged in London in 1665, was chiefly occasioned by the filthiness of the streets and houses, and the want of water and ventilation; and he ascribes the subsequent absence of the plague, and the extraordinary increase of health that has taken place since 1750 or 1760, principally to the different circumstances under which the population are now placed, their greater love of cleanliness and ventilation, and the various improvements that have been made in their dress and diet.

A fact mentioned by Sussmilch and referred to in the former edition of this work, has been much relied on by those who contend that population is always sure not merely to increase, but to increase exactly in the same proportion that the means of subsistence are augmented. Sussmilch states that the marriages in a district of Prussia amounted during the six years ending with 1708, to 6,082 a year. In 1709 and 1710 this district was visited by a severe plague, which is said to have swept off about a third part of the population; and yet, notwithstanding this excessive mortality, in 1711, the first year after it had subsided, the marriages amounted to 12,028, or to nearly double their amount previously to the pestilence! This is a greater immediate increase than we should have anticipated, and perhaps were we acquainted with all the facts, there might be circumstances to explain it. But the number of marriages immediately fell off; and they did not again rise to their amount previously to the plague, till about 1750, or forty years after it had laid waste the district.[1] It is really, therefore, the greatest imaginable error to suppose that any sudden and considerable diminution of the population can be rapidly filled up. This can only be effected in a long course of years; and during that period the comforts of the inhabitants being increased they acquire improved tastes and habits, so that the population does not again approach so near the level of subsistence.

That the tendency to increase is not inconsistent with the improvement of society, a fact as to which there can be no dispute. Without going back to antiquity, let any one compare the state of this or any other European country 500 or 100 years ago, with its present state, and he will be satisfied that prodigious advances have been made, that the means of subsistence have increased much more rapidly than the population, and that the labouring classes are now generally in the possession of conveniences and luxuries that were formerly not enjoyed even by the richest lords. The principle of increase is not, however, merely consistent with the continued improvement of the bulk of society — it is the great cause of this improvement and of the wonderful progress made in the arts. Had the principle been less powerful, or had it not existed at all, every new discovery by diminishing the necessity for others would have occasioned a decline in the spirit of invention; and society would long since have been either in a languishing or a stationary state. But the increase of population, though generally subordinate to the increase of food, is always sufficiently powerful to keep invention on the stretch. All that numerous class who live by their labour, and who are either striving to raise themselves to a higher station, or to maintain their present position, are at this moment impelled by the same powerful motives to invent and contrive new and more powerful methods of production that impelled their ancestors 5,000 years ago; and so it will be in all time to come. The *curis acuens mortalia corda* will never cease to operate, and will secure the continued advancement of society. To suppose, as some have done, that the extraordinary progress already made in science and the arts would have been equal or greater had the tendency to increase been less powerful, is in truth equivalent to supposing that industry and invention would be promoted by lessening the motives to their exercise, and the advantages derivable from them. There might, perhaps, have been less squalid poverty among the very dregs of the population had there been no principle of increase; but it is a contradiction to pretend had such really been the case, that the powers and resources of industry would have been so astonishingly developed, that scientific investigations would have been prosecuted with equal perseverance and zeal, that so much wealth would have been accumulated by the upper and middle classes, or that the same circumstances which urged society forward in its infancy would have continued, in every subsequent age, to preserve their energy unimpaired: and it may well be doubted whether an exemption from the evils incident to poverty would not have been dearly purchased, even by the very lowest classes, by the sacrifice of the hopes and fears attached to their present condition, and the extraordinary gratification they now reap from successful industry.

If these conclusions be well founded, it follows that the schemes proposed for directly repressing population in the ancient and modern world, besides being for the most part atrocious and disgusting, have really been opposed to the ultimate objects their projectors had in view. Could the rate of increase be subjected to any easily applied physical control, few comparatively among the poorer classes would be inclined to burden themselves with the task of providing for a family; and the most effective stimulus to exertion being destroyed, society would gradually sink into apathy and languor. It is therefore to the principle of moral restraint, or to the exercise of the prudential virtues, that we should exclusively trust for the regulation of the increase of population. In an instructed society, where there are no institutions favourable to improvidence, this check is sufficiently powerful to confine the progress of population within due limits, at the same time that it is not so powerful as to hinder at

[1] See Sussmilch's table in Malthus on Population, 5th, ed. vol. ii. p. 170.

from operating, in all cases, as the strongest incentive to industry and economy.[1]

The influence of the various causes of increased healthiness, arising from an increase in the means of subsistence as compared with the population, improvements in medicine, &c. have been strikingly exemplified throughout Europe during the present century, but nowhere, perhaps, so powerfully as in Great Britain. According to the preliminary remarks to the census of 1831, it appeared that, during the 5 years ending with 1800, 1 in every 48 of the population died annually; during the 5 years ending with 1810, the ratio of mortality was 1 in every 49; during the 5 years ending with 1820, it was reduced to 1 in 55; while during the 5 years ending with 1830, it was 1 in 51.

It must not, however, be supposed that this diminution in the proportional number of deaths indicates a corresponding improvement of human life. No conclusion of this sort can be drawn, unless allowance be made for the increase of population; for it is plain that, if the population be progressively augmented by an increasing number of births, the ratio of deaths to the population will not fairly represent the rate of mortality, or entitle us positively to infer whether it has been diminished or not.

But it is, notwithstanding, abundantly certain, despite the error involved in these estimates, that the rate of mortality in England was materially diminished after the American war. The number of burials, estimated by averages of 5 years, did not differ considerably during the entire period from 1780 to 1815, though the population increased about 3,300,000 in the interval.—(*Preliminary Discourse to Census of* 1831, p. 35.) Neither was the increase occasioned by any increase in the number of births as compared with the bearing women, but by the increased number of children that have been reared, and passed through the different stages of life. "About 100 years back," says Mr. Griffith Davies, "if any dependence can be placed on the registers, the number of annual births did not exceed the number of annual burials, so that the population could not then have been on the increase. The increase since that period must, therefore, be attributed to an increased fruitfulness of the female sex, to immigration, to a diminution in the rate of mortality, or to two or more of those causes combined. But it does not appear that the first of these causes has had any sensible operation, and the second can have had none, otherwise the number of burials must have increased in comparison with the number of births, which is contrary to the fact: the increase of population must, therefore, be entirely attributable to a diminution in the rate of mortality."—(*Report of* 1827 *on Friendly Societies*, p. 38.)

This improvement must, no doubt, be ascribed to a variety of causes: partly to the drainage of bogs and marshes, by which agues and marsh fevers have been entirely banished from many districts; partly to improvements in the diet, dress, lodgings, and other accommodations of the mass of the people; partly to the greater prevalence of cleanliness; and partly to the discoveries in medical science, and the semi-extirpation of the small-pox.

The rate of mortality has varied but little since 1825 or 1830. There has been during the intervening period a great increase of towns, and of what are called unhealthy employments. But the increased mortality which might, under such circumstances, have been anticipated, has been fully obviated, partly by the combined operation of the causes already mentioned, and partly by others. Among the latter may be specified the more abundant supplies of water to all large towns, and the enforcement of regulations in regard to the laying out of streets, the building of houses, &c. But though much has been done in these respects, a great deal still remains to do, and it is not easy to say how much the health and longevity of our people might be increased were sanitary improvements carried to any considerable extent. We subjoin tables (p. 461) illustrative of the marriages, births, and deaths in England and Wales since 1838.

The following account of the population of England and Wales, from 1700 to 1861, is extracted from the preliminary remarks prefixed to the census of 1831, and the following censuses.—

Population of England and Wales, from the year 1700 to the year 1861, including the Army, Navy, and Merchant Seamen.

Years.	Population.	Years.	Population.	Years.	Population.	Years.	Population.
1700	5,134,516	1750	6,039,684	1790	8,540,738	1831	14,840,751
1710	5,066,937	1760	6,479,730	1800	9,187,176	1841	16,130,227
1720	5,315,351	1770	7,227,586	1811	10,407,556	1851	18,153,525
1730	5,687,993	1780	7,814,627	1821	11,957,565	1861	20,317,625
1740	5,829,705						

The population of Scotland in 1700 has been estimated, though upon very loose and unsatisfactory grounds, at 1,050,000; in 1755, it was estimated at 1,265,380; in 1801 it amounted to 1,599,068; in 1831 to 2,365,114, and in 1861 to 3,061,329.

The first authentic account of the population of Ireland is given by Sir William Petty, in his tract entitled the *Political Anatomy of Ireland*. Sir William was employed by government to superintend the survey and valuation of the forfeited estates, instituted

[1] For some further illustrations of this important subject, see *Principles of Political Economy*, 2d ed. pp. 221-230; and *Sumners's Records of the Creation*, 4th ed. vol. ii. p. 160.

I.—ESTIMATED POPULATION, with the NUMBER of MARRIAGES, BIRTHS, and DEATHS registered in ENGLAND and WALES, in each Year from 1838 to 1861.

YEARS ended Dec. 31st	Estimated POPULATION in the Middle of the Years.*	MARRIAGES.	PERSONS MARRIED.	BIRTHS (exclusive of Still-born).	DEATHS.	EXCESS OF BIRTHS OVER DEATHS.
1838	15,312,256	118 067	236.134	463,787	342,760	121,027
1839	15,515,296	123,166	246,332	492,574	338,984	153,590
1840	15,721,029	122.655	245,330	502,303	359,687	142,616
1841	15,929,492	122,496	244,992	512,158	343.847	168,311
1842	16,123.793	118 825	237,650	517,739	349 519	168,220
1843	16,320.479	123 818	247 636	527,325	346,445	180,880
1844	16,519,565	132 219	261,498	540,763	356 933	183,830
1845	16,721,081	143,743	287,486	543,521	349,366	194,155
1846	16,925,051	145,664	291,328	572.625	390.315	182 310
1847	17,131,512	135,845	271 690	539.965	423,304	116 661
1848	17,340,492	138,230	276,460	563 059	399,833	163 226
1849	17,552,120	141,883	283,766	578,159	440,839	137 320
1850	17,766,129	152,744	305,488	593,422	368,995	224,427
1851	17,982.849	154,206	308,412	615,865	395.396	220,469
1852	18,193.229	158,782	317,564	624 012	407,135	216,877
1853	18,404,421	164,520	329,040	612 391	421,097	191.294
1854	18,616,386	159.727	319.454	634,405	437.905	196.500
1855	18,829.104	152,113	304,226	635,043	425,703	209,340
1856	19,042.548	159 337	318,674	657.453	390,506	266.947
1857	19,256,680	159.097	318,194	663,071	419.815	243.256
1858	19,471,472	156,070	312,140	655,481	449 656	205 825
1859	19,686,895	167,723	335,446	689.881	440,781	249 100
1860	19,902,918	170,156	340,312	684,043	422,721	261,327
1861	20,119,496	163,706	327,412	696,406	435,114	261,292

* The Population of each of the years since 1851 is deduced from the ascertained rate of increase observed in the twenty years, 1841-61; and an allowance is made for the decrease in the rate during the latter ten years.

II.—PROPORTION of MARRIAGES, BIRTHS, and DEATHS to the POPULATION of ENGLAND and WALES, in each Year from 1838 to 1861.

YEARS ended Dec. 31st	TO 100 PERSONS LIVING.				THE NUMBER OF PERSONS LIVING			
	MARRIAGES.	PERSONS MARRIED.	BIRTHS.	DEATHS.	TO ONE MARRIAGE.	TO ONE PERSON MARRIED.	TO ONE BIRTH.	TO ONE DEATH.
1838	·771	1·542	3·029	2·238	130	65	33	45
1839	·794	1·588	3·175	2·185	126	63	31	46
1840	·780	1·560	3·195	2·288	128	64	31	44
1841	·769	1·538	3·215	2·159	130	65	31	46
1842	·737	1·474	3·211	2·168	136	68	31	46
1843	·759	1·518	3·231	2·123	132	66	31	47
1844	·801	1·602	3·273	2·161	125	62	31	46
1845	·860	1·720	3·251	2·089	116	58	31	48
1846	·861	1·722	3·383	2·306	116	58	30	43
1847	·793	1·586	3·152	2·471	126	63	32	40
1848	·797	1·594	3·247	2·305	125	63	31	43
1849	·808	1·616	3·294	2·512	124	62	30	40
1850	·860	1·720	3·340	2·077	116	58	30	48
1851	·859	1·716	3·425	2·199	117	58	29	45
1852	·873	1·746	3·430	2·238	115	57	29	45
1853	·894	1·788	3·327	2·288	112	56	30	44
1854	·858	1·716	3·408	2·352	117	58	29	43
1855	·803	1·616	3·373	2·261	124	62	30	44
1856	·837	1·674	3·453	2·051	119	60	29	49
1857	·826	1·652	3·413	2·180	121	61	29	46
1858	·802	1·604	3·366	2·309	125	62	30	43
1859	·852	1·704	3·504	2·239	117	59	29	45
1860	·855	1·710	3·437	2·124	117	58	29	47
1861	·814	1·628	3·461	2·163	123	61	29	46
Mean . .	·819	1·639	3·318	2·229	122	61	30	45

NOTE.—The Table may be read thus:—In the year 1838 to every 100,000 persons living there were 771 marriages or 1,542 persons married, 3,029 births, 2,238 deaths; the number of persons living to every marriage, person married, birth or death, was 130, 65, 33, and 45 respectively. A correction for the increase of population has been made in calculating the above results.

during the protectorate; and so well did he execute his task, that his survey continues, after the lapse of about two centuries, to be the standard of reference in the courts of law, as to all points of property. He had, therefore, the best means of obtaining accurate information with respect to the numbers and condition of the people; and as the results of his researches on these points are exceedingly curious, it is best to give them in his own words.

"The number of people now in Ireland (1672) is about 1,100,000, viz., 300,000 English, Scotch, and Welch protestants, and 800,000 papists; whereof one fourth are children unfit for labour, and 75,000 of the remainder are, by reason of their quality and estates, above the necessity of corporal labour; so as their remains 750,000 labouring men and women, 500,000 whereof do perform the present work of the nation.

"The said 1,100,000 people do live in about 200,000 families or houses, whereof there are about 16,000 which have more than one chimney in each, and about 24,000 which have but one; all the other houses, being 160,000, are wretched nasty cabins, without chimney, window, or door-shut, even worse than those of the savage Americans, and wholly unfit for the making merchantable butter, cheese, or the manufactures of woollen, linen, or leather.

"By comparing the extent of the territory with the number of people, it appears that Ireland is much under-peopled; forasmuch as there are above 10 acres of good land to every head in Ireland; whereas in England and France there are but four, and in Holland scarce one!"[1]

In 1731 an inquiry was instituted, by order of the House of Lords of Ireland, for ascertaining the population, through the medium of the magistrates and established clergy, the result of which gives a population of 2,010,221. At this period, and for long after, Ireland was essentially a grazing country. To such an extent, indeed, was the pasturage system carried, that, in 1727, during the administration of Primate Boulter, a law was made to compel every occupier of 100 acres of land to cultivate at least *five* acres, under a penalty of 40*s*.

According to the returns of the hearth-money collectors, which are believed to have been pretty accurate, the number of houses in Ireland in

1754 was 395,439	Which, allowing *six* inhabitants to each house, gives a population of	2,372,634
1767 — 424,646		2,544,276
1777 — 448,426		2,690,556
1785 — 474,322		2,845,932
1788 — 650,000		3,900,000
1791 — 701,102		4,206,612

In 1805, Mr. Newenham estimated the population at 5,395,456. An incomplete census was taken in 1812, from which the population was computed at 5,937,856. At length a complete census was taken in 1821, when Ireland was found to contain a population of 6,801,827. According to the census taken in 1841, the population, which had then attained to a maximum, amounted to 8,175,124, viz., Leinster, 1,973,731; Munster, 2,396,161; Ulster, 2,386,373; Connaught, 1,418,859: total, 8,175,124.

It may be convenient to the reader to be able to refer to the following Summary Account of the Extent and Population of Great Britain and Ireland, and the adjacent Islands, including the Army and Navy, at the Period at which Censuses have been taken.

UNITED KINGDOM.	Area in English square miles.	Population according to the Census of					
		1811.	1821.	1831.	1841.	1851.	1861.
GREAT BRITAIN:							
England . .	50,922	9,553,021	11,231,883	13,090,523	15,002,443	16,921,888	18,949,030
Wales . .	7,397	611,235	718,353	806,274	911,765	1,005,721	1,111,735
Scotland . .	31,324	1,805,864	2,091,521	2,364,386	2,620,184	2,888,742	3,061,329
	89,643	11,969,120	14,041,767	16,261,183	18,534,332	20,816,351	23,123,094
IRELAND . .	32,481	5,937,856	6,801,827	7,767,401	8,175,124	6,551,970	5,752,065
ISLANDS:							
Guernsey, &c. .	50	80,000	20,827	26,128	28,521	33,719	35,362
Jersey . .	62		28,600	36,582	47,544	57,020	56,078
Man . .	[illegible]2		40,081	41,000	47,975	52,337	52,339
ARMY, NAVY, &c.	—	640,500	307,790	277,017	216,079	225,916	275,900
Total . .	122,518	18,627,476	21,280,887	24,409,311	27,049,575	27,737,363	29,334,788

We observed upon this statement in the edition of this work published in 1838, that "considering the extent of bogs in Ireland, the backward state of agriculture, the deficiency of manufactures and trade, and the fewness of the great towns, its population is astonishingly dense. There is, in fact, at an average of the entire kingdom, an individual for every 2·57 acres; whereas in England, notwithstanding the number and magnitude of her great towns, and the vast amount of her manufacturing and commercial population, there are 2·66 acres for every individual; and in Scotland there is only one individual to every eight acres! This wonderful density of population in Ireland is entirely ascribable to the interminable division and subdivision of the land, and the general dependence on the potato. But however it may have originated, there can be no question that it is the immediate cause of the

[1] Pol. Anatomy of Ireland, pp. 114 and 118, ed. 1719

abject poverty and depressed condition of the great bulk of the people. It is not too much to say that there are at present more than double the number of persons in Ireland it is, with its existing means of production, able either fully to employ or to maintain in a moderate state of comfort."

But rapid as had been the increase of population in Ireland down to 1841, the ratio of its decrease during the intervening period, or rather since 1846, has been still greater. In that year the potato rot commenced its ravages, and having become still more intense in 1847, it produced an unparalleled degree of distress. The food of fully two-thirds of the population suddenly failed, and that food having been the cheapest used in Europe, and the wages of the labouring poor having [illegible]en accommodated to the low rates required [illegible] enable them to obtain supplies of it, [illegible]hey could neither fill its place, when it [illegible]eased to be supplied, by resorting to [illegible]heaper varieties, nor afford to buy those [illegible]hat were more expensive. It is also to be [illegible]bserved that when this failure of the potato [illegible] place it was not in excess anywhere [illegible]; and even had such been the case, the [illegible] of conveying so heavy and bulky an [illegible]le from a foreign country to Ireland [illegible]ld have added so greatly to its price as [illegible]lace it beyond the means of the peasantry. [illegible]his emergency it was impossible to esti[illegible]e how far the ravages of famine and [illegible]ease might have extended, had not the [illegible]overnment and people of Great Britain made the greatest exertions, by furnishing supplies of Indian corn and other grain, to compensate for the failure of the potato. But however great, even these efforts were inadequate fully to meet the evil, so that considerable numbers of the population suffered the extremity of want, while many more fell a sacrifice to the diseases originating in the deficiency and bad quality of their food.

This tremendous visitation having awakened the attention of the peasantry to their perilous situation, an immense emigration began soon after to take place. And this exodus being well fitted to promote the interests of the principal landlords, it was largely promoted by the bounties of some, and the evictions of others.

Since 1846-7 the potato rot has reappeared, sometimes to a less and sometimes to a greater extent, and yet, despite these warnings, the peasantry have not ceased to cling to and depend upon the potato; while the high prices it has recently brought have tempted the occupiers to disregard its extreme precariousness and continue its cultivation. It would appear, if we may rely on the official returns, that notwithstanding the great decrease of the population, the extent of land under the potato has increased from 718,000 acres in 1849 to above 1,000,000 in 1862. It has, however, been nearly stationary for the last seven years.

This continued dependence on the potato is the worst feature in the present condition of Ireland. And we venture to think that it would be good policy to endeavour, were it practicable, to weaken it, and to save the population from the many evil consequences of which it is sure to be productive, by imposing a tax on all land under the potato culture. There can, indeed, be no question that such a tax would be extremely unpopular; and there is, we fear, little or no probability of its being proposed. But a statesman should bear in mind that the popularity or unpopularity of a tax is seldom any test of its merits. Prejudice and temporary convenience have, unluckily, far more influence in such matters than principle and the permanent advantage of the community. Were the tax in question made payable by the landlords, and slowly increased, it cannot be doubted that eventually it would have a powerful influence; and that that influence would be highly beneficial.

Down to 1839 there was no compulsory provision in Ireland for the support of the poor. So that the Irish landlords had not previously the same motive as those of England to exert themselves to oppose the subdivision of farms, lest it should lead to an increase of the rates. But since the period referred to, and especially since 1847, when the system of relieving out-of-door paupers was introduced into Ireland, the Poor Law has had a considerable influence in the way now stated; that is, in preventing subdivision. Speaking generally, the landlords have become averse to that splitting of the land which has been the bane of Ireland. And though in a few instances the change from the subdivision to the consolidation of farms may have been too rapidly introduced, this has not been the case generally. It should also be observed that most landlords have made the greatest exertions to provide for the well-being of the cottiers they have been compelled to remove from their estates.

The following note on the consequences of depending on the potato as a principal article of food was written some years previously to the occurrence of the potato rot. Had its statements been at all doubtful, which they are not, that disastrous event would have more than confirmed them.

We borrow from the 24th Annual Report of the Registrar-General the following details with respect to the population in 1861.

The estimated population of Great Britain in the middle of 1861 was 23,181,790, of which 3,062,294 inhabited Scotland. The persons in that aggregate population who married in the year were 184,534; the children born alive 803,442; persons who died 497,401. The excess of births over deaths, or the natural gain of the population in the year was 306,041.

The marriage-rate was considerably lower in Scotland than in England; the birth-rate was rather higher in the smaller kingdom, the death-rate was 2·0·34 per cent., and therefore appreciably lower than the English rate (2·103).

The following are the results for Great Britain; persons married 1·592 per cent. of the population; births 3·466; deaths 2·146.

Estimated Population, Marriages, Births, and Deaths in GREAT BRITAIN, in the year 1861.

——	Area in Statute Acres.	Estimated Population in the middle of 1861.	Marriages.	Persons Married.	Births.	Deaths.
England and Wales -	37,324,883	20,119,496	163,706	327,412	696,496	435,114
Scotland - -	19,639,377	3,062,294*	20,828	41,656	107,036	62,287
Great Britain -	56,964,260	23,181,790	184,534	369,068	803,442	497,401

* The population of Scotland, as enumerated at the Census of 1861, has been used for this Table.

The average area to one person is 2·46 acres in Great Britain, being 1·80 acres in England and 6·41 in Scotland.

Proportion per Cent. of Marriages, Births, and Deaths, to the Population of GREAT BRITAIN in the year 1861.

——	Acres to a Person.	To 100 Persons living.			
		Marriages.	Persons Married.	Births.	Deaths.
England and Wales -	1·86	·814	1·628	3·461	2·163
Scotland - - -	6·41	·680	1·360	3·495	2·034
Great Britain -	2·46	·796	1·592	3·466	2·146

NOTE.—The total area of a country, divided by its population, gives the average area to each son. The reciprocal gives the "density" of the population, or the population to each acre, sq mile, or other measure.

ENGLAND and FRANCE. Estimated Population, Registered Marriages, Births, and Deaths each of the years 1857–1861.

——	England and Wales.					France:*				
	1857.	1858.	1859.	1860.	1861.	1857.	1858.	1859.	1860.	186
Estimated Population	19,256,680	19,471,472	19,686,805	19,902,918	20,119,496	36,292,663	36,387,679	36,426,919	† 36,597,461	36,
Marriages	159,097	156,070	167,723	170,156	163,706	290,349	307,218	298,309	290,657	2
Births -	663,071	655,481	689,851	684,048	696,496	929,332	907,638	1,011,787	953,315	9
Deaths -	419,815	449,656	440,781	422,721	435,114	842,961	872,622	972,556	782,764	8

* M. Legoyt has favoured the Registrar-General with the Returns of France for the years 1857–1861. births in France are exclusive of still-born.

† Exclusive of the population of the three newly annexed Departments.

LONDON.—Births and Deaths in the Thirteen Years, 1850 to 1861.

YEARS.	1850.	1851.	1852.	1853.	1854.	1855.	1856.	1857.	1858.	1859.	1860.	1861.
Births - - -	74,564	78,300	81,250	82,254	84,885	85,532	87,430	89,577	89,012	92 909	93,414	97,064
Deaths - - -	48,950	55,488	54,638	60,069	73,697	61,042	57,274	59,103	64,093	61,860	62,309	65,251
Excess of Births over Deaths -	25,614	22,812	26,612	22,185	11,188	23,590	30,156	30,474	24,919	31,049	31,105	31,813
Births - { Males -	37,907	40,056	41,388	42,132	42,988	43,501	44,410	45,885	45,347	47,330	47,645	49,395
Births - { Females -	36,657	38,244	39,862	40,122	41,897	42,031	43,020	43,692	43,665	45,579	45,769	47,729
Deaths { Males -	24,634	28,140	28,063	30,852	37,151	31,354	29,076	2 ,769	32,579	31,577	31,657	33,105
Deaths { Females -	24,316	27,348	26,575	29,217	36,546	30,588	28,198	29,334	31,514	30,283	30,652	32,146
Annual Mortality per 1,000 -	20·94	23·38	22·61	24·41	29·43	24·31	22·00	22·41	23·90	22·69	22·49	23·18

The mere increase of population is not an object that should ever be aimed at. If its increase be commensurate with the increase of the means of subsistence, and if the habits of the people remain the same, their condition will, in so far as their command over necessaries and conveniences is involved, continue stationary: if the increase of population be *less* rapid than that of subsistence, their condition will be improved; and, if it be *more* rapid, it will be deteriorated. It results, therefore, that it should be a principal object of every wise government to take away all artificial stimulants to population; and to adopt such measures as may tend, by giving the greatest security to property, and the greatest

freedom to industry, as well as by enlightening the public with respect to their real interests, to accelerate the increase of subsistence as compared with the population.

It has been already observed that an improvement in the health of the people, and a retardation of the period of marriage, similar, though inferior in degree, to that which has taken place in Great Britain, has been experienced in France and most other continental states. We subjoin, in illustration of this interesting subject, the substance of a memoir, read by M. Benoiston de Chateauneuf, to the Royal Academy of Sciences at Paris in 1826. In this memoir M. de Chateauneuf endeavours to show what was the average rate of mortality in most countries of Europe in 1780, or thereabouts, and what was its average rate in 1825, since which it has not undergone any very material change. There must, of course, be a good deal of looseness in the estimates from which some of the conclusions are drawn; in general they seem to be accurate, and as respects France, they may be relied

Of a given number of individuals newly in the period from 1775 to 1780, the died during the first ten years.

Three fourths had perished before fifty s, and four fifths at sixty; or in other ls, of a hundred individuals, eighteen arrived at this age.

From eighty to a hundred years, none ined: a whole generation had run its se.

The average proportion of deaths to whole population was found to be as to 32·2, and that of births as one to ·7.

"It was reckoned that there was one marriage for every hundred and ten or hundred and fifteen individuals, and that the degree of fecundity might be taken at an average, at four children for each couple, although at the same time, this, as well as all the other relations, was liable to vary according to the places.

"These facts have been deduced from the calculations of Necker, Moheau, and Pommelles in France; Short and Price in England; Sussmilch in Germany; and Wargentin in Sweden.

"Such then, about the year 1780, were the principal laws to which a more or less perfect state of society, a more or less active industry, and a more or less limited command of subsistence, subjected the course of human life in Europe.

"Since then facts have been multiplied, and have, at the same time, been more accurately observed; great political changes have taken place; civilisation and the industrious arts have advanced with rapidity; and science demands that we examine what may have been their influence upon human life.

"We have seen what were its laws half a century ago: with the old state let us compare the present.

"At the period in which we write, (1825) of a given number of children born in Europe, there dies, in the first ten years, a little more than a third (38·3 in 100) instead of the half (49·9) which formerly died.

"Fifty years after the period of birth, three fourths of a generation (74·2 in 100) were formerly found to be extinct. At present, the proportion of dead to living, in the same period of time, is not more than thirteen twentieths, or 65 in 100.

"Lastly, twenty-three persons in a hundred now arrive at the age of sixty, instead of eighteen who attained that age half a century ago.

"These proportions are mean terms; taken separately they become still more favourable. Thus in France, the proportion of those who survive at sixty years is 24·3 in the hundred, while formerly it did not exceed fifteen (14·7).

"These results, sufficiently remarkable of themselves, give rise to others which are not less so.

"From the 40th degree of latitude to the 65th, that is to say, upon a line which extends from Lisbon to Stockholm, embracing an extent of about a thousand leagues, and in a population of sixty-five millions of individuals, inhabiting Portugal, Naples, France, England, Prussia, Denmark, and Sweden, the proportion of deaths is 1 to 40·3; that of births 1 to 30·1; that of marriages 1 to 123·3; and the fecundity, four children by each marriage.

"On comparing these proportions with those of the last century, we are struck with the extraordinary difference which exists between the rate of mortality in early life at these two periods, a difference which is not less than between 38 and 50 in 100.

"This difference is sufficient to attest the happy effects of vaccination, to which it is partly owing; but it also proves a great amelioration in the treatment of children; and this amelioration indicates the greater prosperity and improved condition of families. If we reflect that it is amongst the lower classes that the mortality of children is greatest, we may conclude, that if these classes lose fewer at the present day, it is because they are better able to take care of them, and bring them up.

"It is evident also, that unless these and other causes had extended their benign influence beyond the years of childhood, they would only have had the melancholy effect of delivering over a greater number of victims to death in the immediately subsequent stages of human life. The contrary, how-

ever, takes place, and at the present day more individuals attain the age of fifty and sixty than formerly. The action of the preserving causes of childhood must therefore continue to operate upon the grown up person during the remaining part of his career; and these preserving causes seem to resolve themselves into an improved state of society, a more diffused civilisation, from whence results a more happy and comfortable existence.

"Along with the fact of a diminution in the number of deaths, we have to place a second, which equally results from the comparison of the two epochs, namely that of a *diminution of marriages*. They were formerly in the proportion of about one in every hundred and ten individuals; they are now in that of about one in every hundred and twenty-three. This, which is a mean term, is even too high for some countries. In France, where, according to the calculations of Necker, there was, in 1780, one marriage for every hundred and eleven individuals, there is now only one for every hundred and thirty-five." And we have already seen that in England, where the proportion of marriages to the whole population in 1760 was one in a hundred and sixteen, and in 1770 one in a hundred and eighteen, it is now one in a hundred and twenty-eight.

"The natural consequence of the diminution of marriages is that of births. But this diminution is only relative to an increased population; for though the proportion of marriages to the population has fallen from a hundred and ten to a hundred and twenty-three, and that of births from twenty-eight to thirty, the absolute numbers of both are notwithstanding augmented.

"The fruitfulness of marriages appears to have remained the same. In the present century, as in the last, the numerical expression which represents it is four children for each marriage. But this proportion is somewhat beyond the true one, since we are obliged to include illegitimate children among the births, from the want of proper distinctions in the accounts with respect to them, especially in foreign countries. In France, the exact proportion of legitimate births to marriages is 3·965 to 1.

"The proportional number of marriages, as well as births, has diminished in Europe within these fifty years, and yet the population is seen to increase. This apparent contradiction is explained by the very great diminution in the proportion of deaths. There was formerly one death in thirty-two individuals; there is at present only one in 40·3. This diminution of mortality is chiefly perceptible in the earlier stages of life. But while there are, on the one hand, more newly-born individuals that survive, there are on the other more adults that grow old.

"The necessary result of this state of things is the prolongation of the mean duration of life, which has extended beyond the limits within which it was formerly confined.

"This simultaneous diminution of the marriages and deaths throughout Europe, confirms Mr. Malthus's observation, that wherever the deaths are numerous, the marriages are so also; for then the vacuities must be filled up, and there is room for every body; and that, on the contrary, wherever there are few deaths, there are also few marriages. The reason is, that from th period when the augmentation of individua is fully equal to the demand for them, th means of subsistence become scarce and eve uncertain. People must then be restraine from gratifying the desire of marrying, an having a family, by the difficulty whic foreseen of providing for one. Thus, altho it may appear paradoxical, it is not the true, that there is a period when popula forms an obstacle to population, and indu arrests industry.

"From all that has been stated, it w appear that the following conclusions ma drawn.

"The laws of mortality in Europe, s as they were established fifty years ago by philosophers who were then engaged in t investigation, appear since that perio have undergone the following mod tions:—

Mortality at different Ages.

	1780.	1825.
From birth to the age of 10,	50 in 100	38·3 in 10
50,	74·4	65·0
60,	82·0	77·0
Proportion of deaths to the whole population,	1 : 32·2	1 : 40·3
births	1 : 27·7	1 : 30·1
marriages	1 : 110·4	1 : 123·3
Fecundity - - -	4·0	4·0

"This table no doubt, contains errors. These might however be obviated, if persons accustomed to such calculations, or learned societies, would publish accounts similar to those given above. From these various elements, a general and accurate mean might be obtained.

"I subjoin a state of the population of France, such as it is represented to have been by Necker, who had the best means of acquiring accurate information [1], in 1780, and such as it is at the present day, (1825) according to the official accounts given in the *Annuaire du Bureau des Longitudes* for the year 1826.

[1] Administration des Finances, tome i. p. 206.

	Population on an average of *ten* years, ending with 1780.	Population on an average of *seven* years, ending with 1825.
	24,800,000 inhabitants.	30,400,000 inhabitants.[1]
Deaths on an average of 10 years,	818,491 a year.	761,230 a year, on an average of 7 years.
Births do. do.	940,935	957,970 do.
Marriages do. do.	213,774	224,570 do.
Natural children	20,480($\frac{1}{47}$)	65,760($\frac{1}{13}$)[2]

Mortality at different Ages.

	Average of ten years, ending with 1780.	Average of seven years, ending with 1825.
From birth to the age of 10 - -	50·5 in 100	43·7 in 100
Do. to the age of 50	78·5	67·5
60	85·3	75·7
Proportion of deaths to the whole population -	1 : 30·2	1 : 39·9
births -	1 : 25·7	1 : 31·7
marriages	1 : 111·3	1 : 135·3
Fecundity (natural children acted) - -	4·4	3·96[3]

NOTE V.

QUENCES RESULTING FROM THE USE OF E POTATO AS A PRINCIPAL ARTICLE OF FOOD.

r has been justly observed by Dr. Paley, t "as the state of population is governed limited by the quantity of provisions, haps there is no single cause that affects o powerfully as the *kind and quantity* of l which chance or usage has introduced the country."[4] In corroboration of this ark, we may observe, that M. Humboldt, o has left nothing untouched that could row light on the state of the countries he visited, mentions, in his account of New Spain, that the same extent of land that would furnish food sufficient for fifty individuals, if planted with bananas, would not furnish a sufficient supply of wheat for two. It is evident, therefore, that a country suitable for the cultivation of bananas, might, provided its inhabitants used them as food, be upwards of twenty-five times more populous than if they fed on corn! Humboldt observes, that nothing strikes a European newly arrived in Mexico with more astonishment than the extreme smallness of the patches of ground that furnish subsistence for a numerous family; and such, he adds, is the facility with which the banana is cultivated, that two days a week of the most moderate species of labour is all that is required for the tillage of these little patches.[5]

The climate of Europe is not suitable for the growth of the banana. We are, however, indebted to America for the potato; which, though inferior in productiveness to the banana, is yet greatly superior in that respect to any other species of crop cultivated in Europe. Those who have investigated the subject differ considerably in their statements as to the number of individuals that may be supported on an acre of land planted with potatoes, compared with those that may be supported on one sown with wheat; some stating the proportion as high as six to one, and others at only two to one. According to Arthur Young, a pound of wheat is equal in nutritive power to about five pounds of potatoes. But Mr. Newenham, who has carefully investigated this subject, states that "three pounds of good mealy potatoes are undoubtedly more than equivalent to a pound of bread[6];" and his estimate is rather above Mr. Wakefield's.[7] Supposing, however, that a pound of wheat is fully equal to four pounds of potatoes, still the difference in favour of the superior quantity of food derived from land planted with the latter is very decided. According to Arthur Young, the average produce of potatoes in Ireland may be taken at 82 barrels the Irish acre; which, at 20 stones the barrel, is equal to 22,960 lbs.; and this, being divided by four, to bring it to the same standard, in point of nutritive power, as wheat, gives 5,740 lbs. Mr. Young farther estimates the average produce of wheat by the Irish

[1] The population of France in 1826 was estimated at about 31,500,000.

[2] This increase in the proportion of illegitimate children is ascribed by Peuchet (*Statisque Élémentaire*, p. 232.), partly to the effects of the Revolution, but chiefly to the marriage law of 1803. Its enactments seem to be in no common degree vexatious and oppressive, and must undoubtedly have had a considerable influence in increasing the number of illicit amours.

Had it not been for the increase in the number of illegitimate births, the increase of health in France since the Revolution would have appeared considerably greater. It was formerly supposed that the *mortality* amongst illegitimate children, during the first three or four years, was about *twice* as great as amongst those born in wedlock; and though there is reason to think that this extraordinary disproportion has been lessened, still there are a variety of considerations, that must at once suggest themselves to the mind of every one, which render it certain that a much larger proportion of illegitimate children must, in all cases, perish in infancy. "Les conjonctions illicites," says Montesquieu, "contribuent peu à la propagation de l'espèce. Le père qui a l'obligation naturelle de nourrir et d'élever les enfans, n'y est point fixé; et la mère, à qui l'obligation reste, trouve mille obstacles, par la honte, les remords, la gêne de son sexe, la rigueur des lois: la plupart du tems elle manque de moyens." — *L'Esprit des Lois*, liv. xxiii. cap. 2.

[3] The proportion of births to a marriage in England is nearly the same as in France — a circumstance which shows the degree of weight that ought to be attached to the singular statements made by M. Sismondi and others, with respect to the prudence displayed by married persons in France.

[4] Paley's Works, vol. ii. p. 71. London, 1819.

[5] Essai Politique sur la Nouvelle Espagne, tome iii. pp. 29. 36.

[6] Newenham on the Population of Ireland, p. 340.

[7] Mr. Newenham estimates the daily consumption of a potato-feeding family of six persons at 36 lbs. a day, or 6 lbs. each, at an average; whereas Mr. Wakefield's average is 5½ lbs.

acre at four quarters[1]; which, supposing the quarter to weigh 480 lbs. gives in all 1,920 lbs. or about a third part of the solid nourishment afforded by an acre of potatoes. This estimate must, however, be somewhat modified when applied to Great Britain; the soil of which, while it is better adapted to the growth of wheat, is generally supposed not to be quite so suitable for the potato as that of Ireland. But it notwithstanding admits of demonstration, that even here "an acre of potatoes will feed double the number of individuals that can be fed from an acre of wheat."[2]

It is clear, therefore, on the most moderate estimate, that the population of a potato-feeding country may become, other things being about equal, from two to three times as dense as it could be, were the inhabitants fed wholly on corn. We are not, however, to ascribe the superior population of Ireland, notwithstanding the want of manufactures and commerce, wholly to the circumstance of the population subsisting chiefly on potatoes, while those of England subsist chiefly on wheat. A good deal of the difference must be ascribed to the greater consumption of butcher's meat in the latter. "Comparatively speaking," says Mr. Newenham, "a very small quantity of animal food is consumed in Ireland; a very great one in England. Much of that sort of food is saved there by religious fasts; and a very trifling quantity here. By the lowest class in England it is, generally speaking, eaten once a week; by the lowest class in Ireland, generally speaking, never. In England, that most numerous class next above the lowest, eat flesh meat three times, or at least twice a week. In Ireland the same class, which is in proportion more numerous than in England, do not, generally speaking, eat it once a month: a great majority of that class do not eat it oftener than six times in the year. Substantial farmers and country artificers in England live chiefly on animal food: the same description of persons in most parts of Ireland live chiefly on potatoes and milk. Manufacturers in England subsist for the most part on flesh meat and bread: manufacturers in Ireland subsist for the most part on potatoes, oatmeal, and bread, consuming a very trifling proportion of animal food."[3]

But it is admitted on all hands, that a much larger breadth of land is required for the support of individuals using a considerable quantity of butcher's meat, than if they used wheat only. Mr. Newenham states, that the average quantity of land required for the support of an individual who subsists on animal food, and uses bread only as a supplementary article will maintain four people who subsist wholly on bread, or twelve who subsist wholly on potatoes; and comparing the food of the mass of the Irish people with that of the mass of the people of Great Britain, we shall certainly be within the mark if we suppose that the same extent of land which furnishes food for one individual in England, would furnish it for four in Ireland!—These are the circumstances to which the superior population of Ireland is chiefly to be ascribed. But for the almost universal dependence of the people on the potato for the principal part of their subsistence, and the facility with which they have obtained huts and slips of land, it is quite impossible that population could have advanced so rapidly as it has done since 1780.

While, however, the use of the potato as a principal article of food renders population comparatively dense, it tends also to render the people habitually poor, and to multiply the chances of famine. Nothing, it will be seen in the following note, has so much influence in determining the rate of wages, the species of food consumed by the labourers; and, other things being equal, wages are high wherever food is expensive and low wherever it is cheap. But potatoes being the cheapest species of food hitherto cultivated in Europe, and the Irish labourers being wholly dependent on them, their wages are regulated by the lowest standard. Whenever, therefore, the potato crop happens to be deficient, they are left without resource. So long as potatoes are used only as a subsidiary species of food, their introduction improves the condition of the labourer, affording him, in most instances, an additional means of support in years when there is a failure of the corn crops. But those who are habitually and entirely fed on potatoes are placed upon the extreme verge of human subsistence. When deprived of their accustomed food, they are unable, from the smallness of their wages, to purchase what is dearer; and there is nothing cheaper to which they can resort. To a people placed under such unfortunate circumstances, scarcity and famine are nearly synonymous.

It may be said, perhaps, that had potatoes not been introduced, corn, of some sort, would have been the lowest species of food; and that had its supply happened to fail, the population would have been as destitute as they are at present when potatoes are deficient. It must, however, be observed, that wheat, or any species of grain, always fetches a decidedly greater price as compared with butcher's meat, tea, sugar, beer, &c., than potatoes; and it therefore follows that a people who have adopted wheat, or any sort of corn, for the principal part of their food, are much better able to

[1] Tour in Ireland, Appendix, pp. 12. 24. &c. 4to.

[2] General Report of Scotland, vol. i. p. 571.

[3] Inquiry into the Population of Ireland, p. 347.

make occasional purchases of butcher's meat and other things; and will consequently be more likely to have their habits elevated, so as to consider the consumption of animal food, colonial products, &c. as indispensable to existence. And hence it appears reasonable to conclude, that those who subsist chiefly on corn, would, in most cases, subsist partially on butcher's meat, and would enjoy a greater or less quantity of other articles; so that it would be possible for them, in a period of scarcity, to make retrenchments sufficient to elude the severity of its pressure.

But though the population in corn-feeding countries were dependent on the cheapest species of grain, not for a part only, but for the whole of their food, their situation would, notwithstanding, be a good deal less hazardous than that of a population subsisting wholly on potatoes.

In the *first* place: Owing to the impossibility, as to all practical purposes at least, of preserving potatoes, the surplus produce of a luxuriant crop cannot be stored up or reserved as a stock to meet any subsequent scarcity. The whole crop must necessarily be exhausted in a single year; so that when the inhabitants are overtaken by a scarcity, its pressure cannot be alleviated, as is almost uniformly the case in corn-feeding countries, by bringing the reserves of former harvests into the market. Every year has to provide subsistence for itself. When, on the one hand, the crop is luxuriant, the surplus is of comparatively little use, and is wasted unprofitably; and when, on the other hand, it is deficient, famine and disease necessarily prevail.

In the *second* place: The general opinion seems to be that the differences in the produce obtained from year to year, from land planted with potatoes, are very materially greater than the differences in the produce of land on which wheat or other corn is raised.

And *lastly*: Owing to the great bulk and weight of potatoes, and the difficulty of preserving them on ship-board, the expense of their conveyance from one country to another is so very great that a scarcity can seldom be materially relieved by their importation from abroad. In consequence, those who chiefly depend on potatoes are practically excluded from the benevolent provision made by nature for equalising the variations in the harvests of particular countries by means of commerce, and are thrown almost wholly on their own resources.

We should therefore be warranted in concluding, even though we possessed no direct evidence on the subject, from the potato being a crop that cannot be kept on hand, its natural fickleness, and the incapacity of either importing it when deficient, or of exporting it when in excess, that the oscillations in its price must be decidedly greater than in the price of wheat; and such in fact is the case. The oscillation in wheat is thought great when its price is doubled; but in a scarce year the potato is not unfrequently *six* times as dear as in a plentiful one![1] And the comparatively frequent recurrence of scarcity in Ireland, and the destitution and misery in which the population are then involved, afford but too convincing proofs of the accuracy of what has now been stated.

It is therefore of the utmost consequence to the wellbeing of every people, and to their protection in years of scarcity, that they should not subsist principally on the potato. In Great Britain the pressure of a scarcity is evaded by resorting to an inferior species of food, and a lower standard of comfort; but if our people were habitually fed on the potato, this would be impossible. The chances of famine would thus be vastly increased; while, owing to the low value of the potato as compared with most other things, the labourers would have far less chance of acquiring a taste for animal food, or other necessaries and luxuries; and consequently, of changing, at any future period, their actual condition for a better.

For these reasons it would seem that the rapid extension of the potato culture is by no means the unmixed benefit it is regarded by some. Little more than two centuries have elapsed since seedlings of this vegetable were first introduced into Europe[2], and so astonishing has been its increase, that it has already become the

almost exclusive food of the people of Ireland, and is used to a very considerable extent also by those of Great Britain and of many parts of the Continent. The culture of the potato was gradually extended in the west of Scotland, and throughout England in consequence of the high prices of corn that generally prevailed from 1795 down to 1830. Since the last mentioned epoch, however, corn having been comparatively cheap, and wages good, the culture of the potato is believed to have been either stationary or retrograde; and it is to be wished that no circumstances may ever occur to lead the labouring classes to place their principal dependence on it. Should it ever form the principal part of their subsistence, their wages would be regulated accordingly, and their situation would become comparatively critical. They might not fall into the same depressed state as the peasantry of Ireland; but their numbers would, no doubt, be greatly increased; and the probability is that they would not unfrequently be exposed to severe distress.

It has been suggested, in order to provide effectually against the occurrence of such a state of things, that it might be expedient to lay a tax on ground planted with potatoes. But no impost of the sort could be imposed, or would be tolerated. We should think, however, that there are but few who reflect on the subject, who would not admit, that though it may be impolitic directly to interfere, to prohibit, or fetter the cultivation of potatoes, it should not, at any rate, receive any artificial encouragement. This, however, is the effect of all regulations that tend, whether by shutting out foreign supplies or otherwise, to add materially to the price of corn, and is not one of the least conclusive reasons that may be urged against them.

NOTE VI.

WAGES OF LABOUR.

DR. SMITH has shown in the tenth chapter of his first book, that when all things are taken into account the wages earned by the labourers engaged in different employments approach nearly to an equality; that the higher rate in some is caused by their unhealthiness or disagreeableness, the severity of the labour, or the greater skill and dexterity required to carry it on; while the lower rate in others is caused by the opposite circumstances by their healthiness or agreeableness, the lightness of the labour, or the little skill required in the workmen. Without, therefore, stopping to investigate the influence of those causes which raise wages in certain employments above, and in others sink them below the common and average rate, we shall confine the following remarks to a brief statement, intended to serve as a supplement to the eighth chapter of Dr. Smith's first book, of the circumstances which determine the common or average rate of wages, and the more prominent causes and effects of variations in its amount.

To facilitate the acquisition of clear and correct ideas with respect to the circumstances which determine the rate of wages, they may be considered in a double point of view, viz. either (1.) as the sum which the labourers receive at any given period in turn for their services, or (2.) as the s which the habits of society render necess to enable them to subsist and continue their race. Wages considered in the first point of view, may be denominated market or actual wages; and considered in the second they may be denominated natural or necessary wages.

I. Dr. Smith has said, (*antè* p. 30.) that the common or market rate of wages depends everywhere upon the terms of the contract between the workmen and their employers. But we must not thence infer that these terms are adjusted on any arbitrary or capricious principle. In businesses of small extent, and placed under peculiar circumstances, this may occasionally be the case. But in the vast majority of cases, it is not possible for any combination, whether of the masters or the workmen, materially to affect the rate of wages. That must always depend on the amount of capital devoted to the payment of wages, as compared with the number of the labourers.

That portion of the capital, or wealth of a country, which the employers of labour intend or are willing to lay out in the purchase of labour, may be much larger at one time than at another. But whatever may be its absolute magnitude, it obviously forms the only source from which any portion of the wages of labour can be derived. No other fund is in existence from which the labourers, as such, can draw a single shilling. And hence it follows that the average rate of wages, or the share of the national capital appropriated to the employment of labour falling, at an average, to each labourer, must entirely depend on its amount as compared with the number of those amongst whom it has to be divided.

An increase of capital, or of the means of supporting and employing labourers, is not,

of a field by Thomas Prentice, day-labourer at Kilsyth. Prentice died at Edinburgh so late as 1792.

Those who wish history of this

bell's Political Survey of Britain, vol. i. p. 246, 4to. edit.; Smith's Ancient and Present State of the County and City of Cork, vol. i. p. 128; Sir F. M. Eden on the State of the Poor, vol. i. p. 508; Wakevol. I. p. 442, &c.

therefore, as is so generally supposed, always productive of an increased rate of wages. It has this effect, when the number of labourers remains stationary, or when it increases in a less proportion than capital, but not otherwise. Were capital and population to increase or diminish in the same proportion, the rate of wages, or the quantity of necessaries and conveniences falling to the share of the labourer, would undergo no change. But if the mass of capital be, on the one hand, augmented without a corresponding augmentation taking place in the population, a *larger* share of such capital will fall to each individual, or the rate of wages will be increased. And if, on the other hand, population be augmented faster than capital, a *less* share will be apportioned to each individual, or the rate of wages will be reduced. The wellbeing and comfort of the labouring classes are, thus, especially dependent on the proportion which their increase bears to the increase of capital. There are, in fact, no means whatever by which their command over the necessaries and conveniences of life can be increased that do not, at bottom, resolve themselves into an increase of capital as compared with population; and every scheme for improving the condition of the labouring class, not founded on this principle can hardly fail to prove nugatory and ineffectual.

It is needless to enter into any disquisition with respect to the circumstances which tend to increase capital. Suffice it to observe that its increase is always of the greatest importance to the bulk of the population. It may not, indeed, occasion a corresponding increase in the demand for labour, but it is, notwithstanding, sure to increase it considerably, and consequently to improve the condition of the labourers. Their condition may also be improved by a greater prevalence of moral restraint or of foresight in the formation of matrimonial connections; for by lessening the rate at which population was previously increasing, such increased restraint would tend to reduce the number of labourers as compared with the demand, and would contribute to improve their condition in the same way as an increase of capital. On this ground it is believed that the establishment of a proper system of education might be made to contribute, by enlightening the public as to the governing causes of the rate of wages, to increase their amount. It were right, certainly, that education should be made to embrace such subjects. The causes of national poverty should be explained to every one, that all may be made aware of their existence, and enabled in some measure to provide against them. It should be impressed on the labouring classes that the means of increased comfort are to a very great degree in their own hands; that what others can do for them is but trivial compared with what they can do for themselves; that the best institutions, and the most tolerant and liberal system of government cannot shield them from poverty and degradation should their numbers become too great as compared with the means of subsistence; and that to obviate this, and to advance their individual and collective interests, they should exercise a reasonable degree of foresight in the formation of matrimonial engagements, and should, if possible, endeavour to make some previous provision against unfavourable contingencies. We have already seen that the native sagacity of the bulk of the people, and their laudable desire to preserve their present position, or to rise to a higher, are powerful enough to make the progress of population subordinate to the increase in the means of subsistence. And it seems reasonable to conclude, without overrating the power of education, that the prudential virtues would acquire greater strength were their importance and the influence they exercise over the condition of society explained to and enforced on the attention of every one.

It should be kept in mind, that however well instructed in other respects, if the poor be not made aware of the circumstances which determine the rate of wages, comparatively little is done in the way of education, to improve their condition. A mere knowledge of the arts of reading and writing will not enable workmen to obtain higher wages; nor supposing they were all taught greater expertness in their several trades and occupations would that do much to improve their condition. Nothing but a change in the proportion which their numbers bear to the amount of capital applied to the payment of wages can increase their command over the necessaries and conveniences of life. And it should be a principal object of a judiciously conducted system of public instruction to show that such a change might be brought about as well by the exercise of a little more prudence and forethought, and the adoption of a higher standard of necessary subsistence as well as by an increase of capital.

The laws with respect to corporations, apprenticeships, combinations, &c. the effect of which on the market rate of wages has been so ably pointed out by Dr. Smith, have undergone very great modifications since the publication of the Wealth of Nations. The statute of the 5th of Elizabeth, regulating the duration of apprenticeships in most common trades in England and Wales, was repealed in 1814; the laws preventing voluntary combinations amongst workmen were repealed in 1824; and the privileges of the different corporations have, in so far as matters of this sort are concerned, ceased to be oppressive. A similar change has

been made in many of the continental states. The Revolution swept off all the vexatious enactments with respect to apprenticeships and corporations that formerly restricted the freedom of industry in France; and they have also disappeared in Prussia, the Netherlands, &c. The compulsory provision for the support of the able-bodied poor is the only institution now existing in England that seems to have any very considerable influence on the rate of wages. This, however, is a subject that may be more properly noticed in the note on the Poor Laws.

The repeal of the act against voluntary combinations in 1824 was a just and a wise measure. If any number of persons choose to combine to refuse to work, except for a certain amount of wages, or for certain hours per day, or week, to forbid them would seem to be a most oppressive interference with one of the distinguishing privileges of free labourers. It was found too that practically the laws against such combinations were good for nothing, and that, instead of putting them down, they gave them a secret character, and made them be easily perverted to other and more objectionable objects. But when workmen have power to refuse to employ themselves on terms of which they disapprove, they have got *all*, in this respect, to which they are entitled. None of them have any right to dictate to their fellows; or to say that because they object to certain stipulations in the terms offered by such and such employers, no one else shall be allowed to accept them. A pretension of this sort strikes at the very foundations of society; and if tolerated might enable juntos of designing individuals to inflict irreparable injury, not only on the employers of labour, but on the manufactures of the country, and consequently on the lasting interests of the labouring class. We need not however be surprised to learn that this is what numbers of workmen in various places have attempted to do; and that combinations have been formed, not for the legitimate purpose of refusing to work except on certain conditions, but for preventing other workpeople who may disapprove of, or not choose to insist on, these conditions, accepting the terms offered by their employers. The measures taken to maintain this most unjustifiable pretension have in some instances been of a very obnoxious description; and have evinced the existence of a very dangerous spirit. Nothing should be omitted that may serve to root out and suppress combinations for such illegal ends. They are completely subversive of that security essential to the prosecution of all undertakings whatever; and are, at bottom, as hostile to the interests of those that enter into them as they are to the interests of every one else.

II. But whatever fluctuations may take place in the rate of wages, there is in all countries a limit below which it is generally difficult to reduce wages for any considerable period; and below which they can never be permanently reduced without a change taking place in the habits of the population. This limit forms what has been denominated the natural or necessary rate of wages, and consists of the various necessaries and accommodations, or the money sufficient for their purchase, required to enable the labourers to exist and continue their race according to the habits and customs prevailing in the countries to which they belong.

It is obvious, from what has now been stated, that the natural or necessary rate of wages is susceptible of much variation. It varies in different countries according to the varying wants and necessities of the labourers; and it varies in the same country according to the perpetually occurring changes in their diet, dress, lodgings, and other accommodations.

The varieties in the climate of different countries occasion considerable variations in the necessary rate of wages. Humboldt states that there is a difference of about a third part between the wages of labour in the hot and temperate districts of Mexico. Nor is it difficult to see why this is the case. According as the climate becomes colder, warmer and, for that reason, speaking generally, more expensive clothing, more substantially built houses, and a larger supply of fuel become necessary. The influence of these circumstances may, it is true, be either partially or wholly countervailed by others; such as the superior progress made by countries with a less genial climate in the arts of civilised life, the possession of unusually productive coal mines, &c. But abstracting from these circumstances, it is plain, as a general proposition, that the rate of necessary wages must vary with variations of climate; and that, other things being equal, it will be highest in countries where the most expensive clothes and houses and the largest supplies of fuel are required.

The share of the wages of labour appropriated to the purchase of food necessarily differs in different countries. In all, however, it is very large; and even in Great Britain, where the labourers consider comfortable clothes and neat cottages as indispensable, it is commonly supposed that, on an average, from *two* to *three fifths* of their earnings are laid out on food. It is obvious, therefore, that the necessary, and by consequence also the market rate of wages, must be especially dependent on the cost of food consumed by the inhabitants, and the rate at which it may be raised. Taking, for example, the present average rate of wages in

agricultural employments in England at 25*l.* a year; and supposing three fifths of this sum, or 15*l.*, to be expended on food, it is obvious that, if either by a reduction in the price of corn, or by substituting potatoes in its place, or any other means, the cost of food were reduced a half, the necessary rate of wages might be reduced in the same proportion, or from 25*l.* to 17*l.* 10*s.* Such a reduction in the price of corn, or such a change in the species of food as has been supposed, would lead to an increase in the means of subsistence; an additional stimulus would in consequence be given to population, and though the market rate of wages would not sink in the same degree that necessary wages are supposed to have sunk, it would sink to some extent; and were necessary wages to sink still more, market wages would also sustain a certain decline, which would be greater or less according to the habits and foresight of the people.

The state of the labouring classes in every country furnishes abundant proofs of what has now been stated. In Bengal, for example, where clothing, lodging, and fuel are of comparatively inferior importance, the necessary wages of labour are almost entirely determined by the cost of the food consumed by the labourer. And this food, being the simplest and cheapest imaginable, consisting merely of boiled rice with split pulse and salt to relieve its insipidity, a labourer is able to subsist on the merest trifle; and the consequence is that the customary rate of wages in common employments is so low as 2½d. a day![1]

But it is unnecessary to refer to distant countries or remote periods for an example of this principle. The contrast between the wages and the condition of the labouring classes in Great Britain, and the wages and condition of the same classes in Ireland, illustrates it in the most striking manner. In Great Britain the necessary rate of wages is principally determined by the cost of wheat and butcher's meat, and in a less degree by the rent of a comfortable cottage, the price of clothes, beer, tea, &c. In Ireland, on the contrary, the peasantry rarely taste butcher's meat; they do not even consider bread as necessary to their subsistence; they are generally without either beer or tea; and their huts, clothes, &c. are all of the most miserable description. The rate of necessary wages is there almost entirely determined by the price of potatoes; and as a quantity of these sufficient for the support of a family may be bought for a third part of the price of the bread and other articles required for that purpose, the necessary rate of wages is proportionally low. The market rate of wages too, owing to the weakness in Ireland, of moral restraint, and the nearly total non-existence of that prudent forethought and decent pride which distinguishes the labouring class in Great Britain, does not differ sensibly from the necessary rate. The principle of increase has filled up the population to the level of mere subsistence; so that while the wages of common labour may be taken on a rough average at 20*d.* a day in England, they are not supposed to exceed 6*d.*, or at most, 7*d.* a day in Ireland.

If we except the influence that would be exerted on the progress of population, and consequently also on the rate of wages, by the prevalence of a greater degree of moral restraint, an increased demand for labour, and a fall in the price of the articles consumed by the labourer, seem to be the only modes in which wages can be raised. From whatever causes an increased demand for labour may proceed, it must obviously raise the rate of wages: and it is hardly less obvious that a fall in the cost of producing any article consumed by the labourer, or suitable for his consumption, must in so far improve his condition. The demand for labour is in most cases immediately increased, and it is never generally or permanently reduced by a reduction in the cost of producing commodities. But, supposing that the demand for labour continues the same after commodities fall in price, then, as the number of labourers in the market, and consequently the money wages paid them, must, also, be the same as before the fall, it is plain they will obtain a greater quantity of produce, and that their condition will be in so far improved. It is no doubt true that, were population to increase, as it is sometimes alleged it would, proportionally to the increased demand for labour, or to the fall in the price of produce, the improvement in the condition of the labourer would only be temporary. But it is not improbable merely, but next to impossible, that population should increase in the same proportion. A period of about twenty years necessarily elapses before the stimulus which an increased demand for labour gives to population can occasion any increase in the number of labourers; and the labourers being accustomed, during this long interval, to an improved manner of living, the standard of natural or necessary wages becomes elevated; and the majority will be disinclined to do any thing that might tend to sink themselves and their children below the new level to which they have attained.

The effects produced by a decreasing demand for labour, or by a rise in the price of the articles usually consumed by the labourer, are directly the reverse of those now stated. The number of labourers continuing, for a while at least, the same, the rate of wages is necessarily diminished when the

[1] Transactions of the Husbandry of Bengal, pp. 38, 39.

demand for labour declines, and it necessarily continues at its old level when prices rise; so that in both cases the condition of the labourers is changed for the worse. In consequence they are obliged to economise; and should the pressure continue for a considerable period, there is a risk that their habits should be degraded, or that they should learn to be satisfied with an inferior species of food, or a lower standard of comfort. Should this change unfortunately take place, the population would accommodate itself to the new state of things; and it would be difficult for the labourers to attain, at any subsequent period, to the elevation from which they had been cast down.

When the labourers are already subsisting, as in Ireland, on the lowest species of food, it is of course impossible for them to go to a lower in a period of scarcity; and should their wages, or the means of subsistence falling to their share, sustain any serious decline, an increase would necessarily take place in the rate of mortality. But in a country like England, where the inhabitants have been long accustomed to superior comforts, and enjoy various privileges, it is probable that they might pass through a pretty long period of privation, and that it would rather give new efficacy to the principle of moral restraint, and lessen the proportion of marriages and births, than induce them to submit to a lower scale of living, or to relinquish comforts they have long possessed, and been taught to regard as indispensable. As the well being of the labouring classes is essential to the tranquillity and happiness of the state, it is of the highest importance that this principle should be strengthened by every possible means. It is easy from this to see that a principal advantage of a compulsory provision for the support of the poor consists in the assistance it gives them in periods of adversity, and in its thereby contributing to prevent their tastes and habits, or their standard of comfort from being lowered by the privations to which they might otherwise be compelled to submit.

It has been already seen that the cost of raw produce has a natural tendency to rise in the progress of society; and as the greater part of the wages of labour is laid out on its purchase, it is plain that the rate of wages, though occasionally reduced by improvements in agriculture, manufactures, &c., must also have a natural tendency to rise as society advances and population becomes denser. And hence the distinction, to which it is sometimes of importance to advert, between what may be called *absolute* wages, or wages measured by the quantity of commodities they will exchange for or buy, and *proportional* wages, or wages measured by the share of the produce of his labour that goes to the labourer. His condition depends, of course, entirely on the magnitude of the former, or of absolute wages: and these are generally greatest when proportional wages are lowest. This is easily explained. In newly settled countries, where only the best lands are cultivated, a large amount of raw produce, the principal element in the subsistence of the labourer is usually raised by a comparatively small outlay of labour; and labourers being scarce in such countries, their wages uniformly almost afford them a large supply of necessaries and conveniences. But in old settled and more densely peopled countries, though the supply of labour be greater, the raw produce raised by its outlay is so much less that wages, even when considerably reduced in quantity, generally constitute a larger share or proportion of such produce than in the other. Suppose, for example, that a day's labour produces a bushel of wheat on the land last taken into cultivation in Kentucky, and only three fourths of a bushel on that last taken into cultivation in England; and that the labourers in both countries get half a bushel, or the price of half a bushel a day, as wages: in this case it is plain that wages estimated absolutely or by quantities of produce, would be equal in England and Kentucky; but wages estimated by the proportion of the produce of industry falling to the share of the labourer, would be 25 per cent. higher here than in America. And such, generally speaking, is always the case with wages in countries far advanced in the career of civilisation, as compared with wages in those whose progress is less considerable. The land gradually yields a less and less quantity of produce, according as tillage is extended over inferior soils, or as the superior soils are further and further forced for additional supplies; but as the labourers must always obtain such a proportion of this produce as may enable them to exist and continue their race, it follows that, in the progress of society, proportional wages are generally augmented; though, unless the principle of moral restraint be in active operation, this augmentation is usually accompanied by a decline in the quantity of produce accruing to the labourer.

Dr. Smith has said (p. 29.) that had that original state of things continued in which the whole produce of industry belonged to the labourer, all things would gradually have become cheaper in consequence of improvements in the arts, and wages would have been constantly augmented. But the principles established in the notes on rent and population show the fallacy of this statement. Corn rises in the progress of society, because good land cannot be indefinitely forced without yielding a diminished return, and because more labour is required to raise it upon inferior lands. And, therefore, it is obvious

that though there had been none but labourers to divide the produce of industry, their situation would have deteriorated in the progress of society, had the increase of their numbers not been lessened in the same degree that the difficulty of obtaining supplies of food was augmented.

NOTE VII.

CIRCUMSTANCES WHICH DETERMINE THE RATE OF PROFIT.

By *profit*, in political economy, is meant that part of the produce, or the value of the produce, obtained by the employment of capital in industrious undertakings, which remains to its employers, after replacing the capital, or such portion of it as may have been wasted in the undertakings, and every other expense necessarily incurred in carrying them on.

The *rate* of profit is the proportion which the amount of profit derived from an undertaking bears to the capital employed in it.

Thus, suppose an agriculturist employs a capital equivalent to 1000 quarters of corn, or 1000*l.* in the cultivation of a farm, and that the nett surplus produce remaining to him at the end of a year, after his capital has been replaced, and he has been indemnified for the trouble of superintendence, and for every necessary expense incurred in the management of the farm, is 100 quarters, or 100*l.*: this nett surplus would form the profits of the agriculturist; being to the capital, by whose agency they are obtained, in the ratio of 100 to 1000, or at the rate of ten per cent.

It has been shown by Dr. Smith and others, that the capital vested in different businesses, yields, provided they be not subjected to any species of monopoly, about the same rate of nett profit. We shall endeavour, in this note, to state the circumstances which determine this rate.

In this investigation it is not necessary to inquire whether the capital engaged in certain businesses yields rent as well as profits, or profits only. The competition of the producers will always reduce profits in different businesses to what is, taking all things into account, nearly the same common level; and as rent is, in every case, a surplus over and above profits, it may, for the present, be left wholly out of view. The laws by which profits are regulated in countries where the best lands only are cultivated, and no rents are paid, are in no respect different from those which regulate them in countries where cultivation has been widely extended, and where lands of superior fertility yield a high rent.

Suppose, therefore, that rent is deducted or set aside, it follows that the whole of the remaining produce of industry must, in the first instance, be divided between capitalists and labourers,—that is, between those who furnish the capital and those who furnish the manual labour made use of in the production of commodities. And hence, were taxation either unknown or constant, the proportion of the produce of industry, under deduction of rent, falling to the share of the capitalists, could not be increased without the proportion falling to the share of the labourers being at the same time diminished, and conversely. But the share of the produce of industry falling to the capitalists, includes, besides profit, the portion required to replace the capital wasted in production, and to defray the wages of superintendence. So that the rate of profit is not, as has been already stated, determined by the ratio which the share of the produce of industry that goes, in the first instance, to the capitalists, bears to the whole produce, but by the ratio which the nett amount of profits, or the produce remaining to the capitalists, after every sort of outlay has been deducted, bears to the total capital employed.

Suppose, for example, that an agriculturist employs a quantity of capital of the value of 1000 quarters of corn, or 1000*l.* in cultivating a farm; that half this capital consists of seed, horses, and other instruments used in agriculture, the other half being employed in the payment of wages; and suppose that, after his rent has been deducted or set aside, he has produce equivalent to 1200 quarters, or 1200*l.*: of this sum 1000 quarters, or 1000*l.* must go to replace his capital; and supposing that his taxes amount to 100 quarters, or 100*l.*, it follows that 100 quarters, or 100*l.*, will remain for his profits, which are consequently at the rate of ten per cent. Now, in this case—and this case is, *mutatis mutandis*, the case of every man engaged in business—it is obvious that the rate of profit may be raised in three, but only in three, ways,—viz. (1.) by industry becoming more productive; or (2.) by a reduction in the rate of wages; or (3.) by a reduction in the amount of taxation: and it may be reduced by the opposite circumstances; or (1.) by industry becoming less productive; or (2.) by a rise in the rate of wages; or (3.) by a rise in the amount of taxation. Profits cannot be affected in any way not referable to one or other of these heads.

To revert to the previous example, let it be supposed—other things remaining the same—that the quantity of produce is increased, by means of the better application of the capital and labour employed, from 1200 quarters, or 1200*l.*, to 1300 quarters, or 1300*l.*, the gross amount of profits would in this case be increased from 100 quarters, or 100*l.*, to

200 quarters, or 200*l.*, and the rate of profit would be raised from ten to twenty per cent. A similar result would be produced, other things being the same, were wages reduced from 500 quarters, or 500*l.* to 400 quarters, or 400*l.*; and were taxation reduced from 100 quarters, or 100*l.*, to 50 quarters, or 50*l.*, the rate of profit would be raised from ten to fifteen per cent.: on the other hand, if we suppose that the quantity of produce, instead of being increased, is diminished, or that wages or taxes are augmented, the gross amount of profit and the rate of profit will be proportionally lessened.

Had it not been for the gradually decreasing productiveness of the capital laid out on the lands, the productiveness of industry would have increased with every discovery and invention for saving labour; so that, without a corresponding increase of wages and taxes, the rate of profit would have been continually increasing. But we have seen, that though improvements may materially increase the productiveness of agricultural industry for a lengthened period, the increase cannot be permanent; and that the growth of population never fails, in the end, to force recourse to inferior lands, which, of course, yield less produce in return for the same outlay. This decreasing productiveness of the capital applied to the soil has a double influence over profits: for, in the first place, it lessens the quantity of produce obtained by the outlay of capital and labour; and, in the second place, it increases the portion of that produce going to the labourer as wages. The latter must always get enough to enable him to subsist and continue his race; and though, in the event of his resorting to a lower species of food or an inferior standard of comfort, a rise in the price of raw produce may not be followed by a rise of wages, yet, speaking generally, the one is always consequent to the other. The cost of food is the main regulator of wages; and it is quite impossible to go on, for any very lengthened period, by taking bad land into cultivation, or forcing the good land, making constant additions to its cost, without ultimately raising wages. Manufacturing industry, or the adaptation of matter to our use, necessarily becomes, from the influence of discoveries and inventions, more and more productive as society advances, so that the decreasing fertility of the soil is at bottom the only cause of whatever reduction in the rate of profit is to be ascribed to a decline in the productiveness of industry; and it is pretty frequently also the cause of those reductions that are occasioned by a rise in the rate of wages. The latter, it is true, is also brought about by an increased demand for labour, and by a greater prevalence of moral restraint. But a rise of wages, caused by the increased cost of necessaries, does not depend on contingent circumstances, or on the forethought of the labourers. It must be experienced in every country and state of society, according as it becomes more and more difficult to obtain supplies of food for an increasing population. The absolute wages of the labourer, or the *quantity* of necessaries and conveniences given him for his labour, may be, and indeed frequently are, diminished in the progress of society; but when cultivation is far extended, he is uniformly almost in the receipt of a larger share of the produce of his labour; so that, as has just been observed, profits are reduced in an advanced stage of society, because the quantity of produce is diminished, and because the labourers get a larger share of this diminished quantity.

The theory of Dr. Smith, as to the circumstances which determine the rate of profit, differs widely from the above. He seems to have had no idea of the fundamental principle of the decreasing productiveness of the capitals successively applied to the soil; and not imagining that there was any natural cause why the produce obtained by the outlay of equal amounts of capital and labour should ever be diminished, he supposed that profits were lowered through the *competition* of capitalists; that when capital increased the undertakers of different businesses became anxious to encroach on each other; and that, in order to attain their object, they offered their produce at a lower price, and gave higher wages to their workmen.

But though, at a first view, this theory appears sufficiently plausible, it will not bear the least examination. It is easy to see that competition cannot occasion a general fall of profits. All that competition can do, and all that it ever does, is to reduce the profits obtained in different businesses and employments to the same common level, to prevent particular individuals realising greater or lesser profits than their neighbours. Farther than this competition cannot go. The common and average rate of profit depends not on it, but on the excess of the produce obtained by employing capital, after it is replaced along with every contingent expense. Competition cannot affect the productiveness of industry, neither can it, speaking generally, affect the rate of wages, for, such as the ordinary demand for labour is, such will be its supply, and it has no influence over taxation. It is plain, therefore, that it has nothing to do with the determination of the common and average rate of profit. It prevents individuals from getting more or less than this common rate; but it has no further effect.

Hence it appears, that that fall in the rate of profit that is invariably observed to take place as society advances, is not owing to an increase of capital, or to the competition

consequent upon that increase, but to an inability to employ capital with equal advantage, resulting (1.) from a decrease in the fertility of the soils to which recourse must be had, or (2.) from a rise of wages, or (3.) from an increase of taxation. Of these causes one may be the more powerful at one period and another at a different period. The first not only lessens the quantity of produce raised by the outlay of capital and labour, but it also, as already seen, generally raises in the end the rate of *proportional* wages. It is, of course, impossible to lay down any fixed principles with respect to the influence of taxation. In the progress of society, it may increase or diminish. We have elsewhere endeavoured to show that the heavy taxation of Holland, during the last century, was the principal cause of the low rate of profit in that country [1]; and no doubt profits in England are sensibly affected by our taxation.

The principles already established show, (1.) That so long as the productiveness of industry is undiminished, profits cannot be reduced otherwise than by a rise of wages, or of taxes; (2.) That so long as the rate of wages is constant, profits cannot be reduced unless industry become less productive, or taxation be augmented; and (3.) That so long as taxation remains constant, profits cannot be reduced, unless industry become less productive or wages be raised. It is supposed, in these cases, for the sake of simplicity, that when one of the regulating principles of profit remains constant, the other two vary in the same way. But they might vary in different ways; and if so, their influence on profits would obviously depend on the extent to which the variation in the one exceeded the variation in the other. Suppose, for instance, that while the productiveness of industry remains constant, a rise of wages and a reduction of taxation are experienced, the effect of this variation will plainly depend on the rise of wages exceeding, falling short, or being identical with the reduction in the amount of taxation: if it exceed the reduction of taxation, profits will be lowered proportionally to the excess; if it be less than the reduction of taxation, profits will be proportionally raised; and if the rise of wages and the reduction of taxation be exactly equivalent, profits will, of course, undergo no change.

Mr. Ricardo has endeavoured to show, in his chapter on Profits, that, supposing taxation were invariable, the rate of profit could never be raised except by a fall of *proportional* wages, nor diminish except by their rise. But it is necessary to observe, that Mr. Ricardo did not, in his investigations in the chapter referred to, understand the term profits in the sense in which it is understood in this note, and in the ordinary business of life. He did not measure the rate of profit by the relation which the amount of profits bore to the amount of capital employed in their production, but by the relation which their amount bore to the whole produce of industry, under deduction of rent, or, which is the same thing, to the wages of labour. Neither did he estimate the amount of profits by the quantity of produce in the hands of the capitalists, after all the expenses incurred in carrying on their respective undertakings were replaced, but by the cost of that produce. And as the produce obtained by a given outlay of labour must always, whether it be large or small, cost the same sum, nothing can be more obvious than that so long as it is divided between capitalists and labourers, the proportion, falling to the share of the one cannot be increased except by an equal diminution in the proportion falling to the share of the other. In this point of view, therefore, Mr. Ricardo's doctrine with respect to profit is unexceptionable. But practically, it is of little or no value; and may lead, unless the sense in which he understood it be always kept in view, to the most erroneous conclusions. It is by the quantities of produce that go to capitalists and labourers, and not by their values, that their condition is determined. Whenever profits are measured, as is always done by the undertakers of different businesses, in aliquot parts of the capital through whose agency they are obtained, it is immediately seen that when any improvement is made, or when industry becomes more productive, profits and wages may both rise at the same moment; so that it would be most incorrect to contend, using the terms in their commonly understood sense, that the one could only be augmented by a corresponding diminution of the other.

[1] *Principles of Political Economy*, 2d ed. p. 494., 1st ed. p. 110.

NOTE VIII.

EFFECTS OF VARIATIONS IN THE RATES OF WAGES, AND PROFITS ON THE VALUE OF COMMODITIES.

The laws by which *fluctuations* of rent, wages, and profits, are determined, having been explained in the preceding notes, we have next to investigate the effect of these fluctuations on the value of commodities.

Dr. Smith was of opinion that in the remote period preceding the appropriation of land and the accumulation of capital, the quantity of labour commonly employed in acquiring or producing commodities determined their exchangeable values, or their values compared with each other or with labour. But he supposed that after land had been appropriated and capital accumu

lated, a different principle prevailed. "In this state of things," he observes, "the whole produce of labour does not belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

"As soon as the land of any country has all become private property the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them, and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part." (*antè*, p. 23.)

With respect, however, to the supposed influence of rent on price, it has been shown that it is altogether imaginary. If, on the one hand, the last capital laid out on the land yielded more than the common and ordinary rate of profit, agriculture would be the best of all businesses, and capital would, in consequence, be immediately diverted from manufactures and commerce to it, until the supply of produce was so much increased and its price so much diminished, that the last capital laid out produced only common and average profits. And if, on the other hand, the capital applied to the land did not yield this much it would continue to be gradually withdrawn until the remaining portion afforded the customary rate of profit. Rent, therefore, has nothing to do with the cost of producing commodities; it is a surplus which is over and above that cost. Nor, provided other things continued the same, would the abandonment of rent by the landlords make raw produce in any degree cheaper: for, as already seen, such a measure would not diminish, nor in any respect affect the expenses incurred by those who produce that portion of the necessary supply raised by the agency of the capital last applied to the land; and nothing which has not this effect can have any influence over the cost of production, or, by consequence, over average prices.

Rent, therefore, must be left wholly out of view in this discussion. The variations that take place in its amount are not the cause but the effect of variations of price.

It remains then that we investigate the effect of variations in the rates of wages and profits on the value and price of commodities.

I. In so far as the cost of commodities is concerned, it is plain it cannot be affected by fluctuations in the rate of wages, or in the rate of profit. The cost of a commodity depends, as was shown in Note II., wholly on the quantity of labour, or of sweat and toil required for its production. But a variation in the rate of wages is not a variation in the quantity of labour, but merely a variation in the price paid for that labour. Wages, though most commonly paid or rated in money, form in *all* cases, a part of the produce of industry; being the return to the immediate labour employed in any undertaking, as profits are the return to the capital, or produce of anterior labour, employed in the same way. And supposing, as was shown in the preceding note, the productiveness of industry to remain constant, an increase in the rate of wages generally implies that the labourers are not only getting a larger quantity of produce, but that they are also getting a larger proportion of the produce, which, under deduction of rent and taxes, is divided between them and the capitalists. Under such circumstances wages and profits vary inversely, that is when the one rises the other equally falls. But whatever changes may take place in the division of the produce to be shared by capitalists and labourers, cannot affect its cost. This depends entirely on the labour required for its production; and not on the mode in which, when produced, it is divided between those who furnished the immediate labour, and the capital, or produce of anterior labour, expended upon it. In short variations in the rates of profit and wages are the consequence of changes in the proportions in which commodities have previously been divided between capitalists and labourers: and as nothing occasions variations in the cost of commodities except a variation in the quantities of labour required for their production, it cannot, it is plain, be in any way influenced by variations of profits and wages.

II. In inquiring into the influence of variations in the rate of profit and the rate of wages on the value of commodities, it is necessary to bear in mind that these rates — allowance being made for the peculiarities affecting particular businesses and employments—will be nearly equal at the same time in them all. It is unnecessary to recapitulate the reasonings by which Dr. Smith has demonstrated this equality. Were the workmen engaged in any particular employment

to get either higher or lower wages than are required to place them, all things considered, on nearly the same footing as those engaged in other employments, there would, in the one case, be an influx of labourers into that employment, and in the other there would be an efflux of labourers from it. The same equality obtains in the case of profits. The principle of competition will not permit of the wages or the profits obtained by those employed, or who have capital vested in a particular business, materially differing, for any considerable period, from the common rates of wages and profits in other businesses; so that in theoretical inquiries they may be considered as substantially the same in them all.

Now, it is plain, were all capitalists placed in the same situation,— that is, did they all employ the same proportions of their stock as fixed capital, or in the form of machinery, houses, &c. and as circulating capital, or in the payment of wages, &c. and were the fixed capitals of the same durability, no variations in the rate of wages or in the rate of profits could have any influence over the exchangeable value of commodities.[1]

(1.) A rise or fall of wages would, under the circumstances supposed, equally affect all classes of producers; and it is obvious that whatever affects them to the same extent cannot influence the relation which the commodities produced by one class bear to those produced by another. A and B are produced by immediate labour or by equal proportions of capital and immediate labour, the one exchanging for or buying the other; suppose now that wages vary and observe the result. It is obvious, inasmuch as the variation cannot be confined to one department of industry, that the wages of the labourers employed in the production of A will vary in the same way, and in the same degree as the wages of those employed in the production of B, and conversely: and such being the case, the commodities will necessarily continue to preserve the same relation to each other, whether wages rise to five shillings or fall to sixpence a day; the only difference being that, in the one case, a large proportion of the commodities will go to the labourers as a return to their labour, and a comparatively small one to the capitalist as a return to their capital, and conversely. It is as impossible to change the relation of commodities produced under similar circumstances by varying the rates of wages and profits, as it is to vary the relation of numbers to each other by multiplying or dividing them by the same number. The relation of A and B will not be varied, unless one of them be affected by a cause whose influence does not extend, in the same degree, to the other. And as variations in the rates of wages and profits are at an average, equal and universal in their operation, it follows that whenever we find two or more sets of commodities produced by the agency of about equal proportions of fixed and circulating capital, we may be sure that their value as compared with each other or with labour, cannot be affected by variations in the rates of wages and profits; and that such changes as take place in it must be occasioned by a change in the quantities of labour required for their production.

(2.) It is easy, from what has now been stated, to discover the mode in which fluctuations in the rates of wages and profits affect commodities produced under different circumstances, that is, with different proportions of fixed or circulating capital, or with capital of different degrees of durability. Suppose, for the sake of illustration, that A and B are commodities that exchange freely for each other; that A is produced chiefly by the aid of fixed capital or machinery, and B chiefly by manual labour; and suppose, further, that wages rise. In this case it is obvious, inasmuch as A is produced chiefly by machinery, that its producers will not be so much affected by a rise of wages as the producers of B, which is chiefly the work of the hand. The profits of the latter will, therefore, be diminished in a greater degree than those of the former. And, in consequence, capital will be diverted from the production of B to the production of A; until by diminishing the supply of the former, and increasing that of the latter, their quantities are adjusted so that they respectively yield the same nett profit to their producers.

It appears, therefore, on comparing two sets of commodities, one of which is produced by the aid of a larger quantity of fixed capital than the other, that when wages rise, the value of the set produced by the least amount of fixed capital is raised as compared with the other set, and conversely when wages fall.

It is proper, however, to observe, that these effects will not be necessarily produced by the labourers getting higher or lower wages estimated in money, or in quantities of produce, unless the cost of money and the productiveness of industry have remained constant or increased. Nothing connected with wages, unless it be a change in their proportional rate, can vary the relation of commodities. If the cost or real value of money declines, wages and prices of all sorts will rise when rated in money; but it is plain that in such a case prices rise, not because more money is given to the labourer, but because this money is cheaper, or is obtained by a less sacrifice than formerly.

It results, from what has been previously

[1] See Introductory Discourse, p. xlv.

stated, assuming any commodity, as gold or silver, as a standard by which to measure variations in the value of others, that when wages rise commodities produced by larger proportional quantities of fixed capital than the standard *fall* in value, while those produced by larger quantities of circulating capital or of immediate labour *rise* in value; the opposite effects being, of course, produced by a fall of wages; while the commodities produced under the same circumstances as the standard neither rise nor fall, however wages may vary, but remain stationary.

Variations in the value of commodities occasioned by a rise of proportional wages, being always accompanied by a fall in the aggregate amount of profit, the one effect has a tendency to neutralise or destroy the other. And it is only when we compare commodities in the production of which fixed capital or machinery very decidedly preponderates with those in the production of which the preponderance is equally on the side of immediate labour, that the difference is at all sensible. The value of all that very large class of commodities which is produced by nearly equal quantities of both sorts of capital is not in any sensible degree affected by the fluctuations in question.

It is necessary also to remember that though the value of a particular commodity may be affected by a rise or fall of wages or profits, its *cost* undergoes no change, and the value of some other commodity must vary to the same extent in a contrary direction. The aggregate value of all sorts of commodities continues, therefore, always the same. And though it may not, in all cases, be strictly true of a particular commodity, that its value is directly as its cost, or as the quantity of labour required to produce it and bring it to market, it is most true to affirm this of the mass of commodities taken together. [1]

NOTE IX.

MONEY.

SECTION I. — *Principles which determine the Value of Money* — (1.) *When its Supply may be increased at the Pleasure of Individuals* — and (2.) *When its Supply is placed under Limitation and Restraint.*

Dr. SMITH has given, in the fourth chapter of his first book, a full and clear account of the circumstances which led to the origin and use of money, or of a common medium of exchange; and of the qualities belonging to the precious metals which have induced every people emerging from barbarism to employ them in preference for that purpose. But he has not given, either in this or any other part of his work, a sufficiently distinct account of the circumstances which determine the value of these metals. He observes, indeed, that "gold and silver, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it cost less labour to bring those metals from the mine to the market, so when they were brought thither they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account." (*ante*, p. 14.)

The principle laid down in this paragraph, that the value of the precious metals depends on the quantity of labour required to produce them and bring them to market, is correct, provided their production may be undertaken at pleasure by any one. It should, however, have been more fully elucidated; and the effect of limiting or restricting the power to bring gold and silver to market, on their value, should, also, have been clearly explained. But Dr. Smith has not entered into this part of the investigation, and his theory of money is therefore, in many respects, incomplete. It is chiefly, indeed, from not sufficiently distinguishing between the circumstances under which money is supplied, and supposing that the principles which determine its value in one case determine it in every other case, that the extreme prevalence of erroneous opinions with respect to it has proceeded.

For these reasons we shall divide what remarks we have to offer on the value of money into two parts: the *first* embracing an inquiry into the principles by which its value is determined, when every one is allowed to bring additional supplies of gold and silver to market; and the *second*, an inquiry how far these principles are liable to be affected by the operation of monopoly.

I. Locke and others have contended that the value of the precious metals is imaginary,

or that it depends on the consent of the nations who have adopted them, to serve as a circulating medium. Locke was betrayed into this erroneous opinion, from his confounding the useful qualities of these metals, or the qualities which fit them for being used as money, with the circumstances which determine their value in exchange. But it has been already seen, that the value of all freely produced commodities, whose quantity may be increased proportionally to the demand, is in no degree dependant on the qualities they possess, but wholly on the cost of their production, or on the labour and capital required to produce them and bring them to market. Gold is not more valuable than iron or lead, because of its greater brilliancy, durability, or ductility, but because a far greater outlay is required to produce a quantity of gold than is required to produce the same quantity of either of these metals. The distinction between the *utility* and *value* of commodities is of fundamental importance, and must never be lost sight of. Those who, in treating of such subjects, confound qualities so essentially different, need not expect to arrive, except by the merest accident, at any sound conclusion. Though gold, in its native or unmanufactured state, had been infinitely more useful than it really is, still it is plain that if the labour, or the sweat and toil, required to obtain it had been the same as at present, this greater utility would have added nothing whatever to its value. The capacity or aptitude which certain articles or products possess of gratifying our wants or desires, is either the spontaneous gift of nature, or is communicated to them by the labour and industry of man. But though utility derived from the first of these sources may make an article an object of demand, it cannot, inasmuch as it costs nothing, contribute any thing to its exchangeable worth. And hence, when articles or products are brought to market, produced by equal quantities of labour, their values are equal, though some of them may be incomparably more useful than others. It must also be remembered that wherever industry is free, the principle of competition reduces the rate of nett profit in different businesses to nearly the same level. It is sufficiently well known that those who employ themselves in the working of gold or silver mines, do not, at an average, obtain any greater returns than those engaged in the raising of coals or the manufacture of bricks. The production of the precious metals is not subjected to any species of monopoly or restraint. All individuals may attempt the extraction of bullion from the mines; and there are no conceivable limits to the extent to which its supply may be increased. Under such circumstances, the competition of the producers is sure to force the bullion to be sold at its necessary price, or at such a price as will merely afford them the common and ordinary rate of profit on their capitals. Should new and more abundant mines, or improved methods of working the old ones, be discovered, the value of bullion would proportionally fall; and if, on the contrary, the more productive mines were exhausted, and it became necessary to resort to those that are less rich, the value of bullion would necessarily sustain a corresponding rise.

It is not meant, by any thing now stated, to deny that the value of gold and silver is affected by variations of supply and demand. It is difficult, however, to suppose that such variations should take place to any great extent, unless they have been occasioned by a change in the cost of producing the metals. The commercial intercourse established amongst the remotest quarters of the world, has distributed gold and silver, so that their value in one country differs but little from their value in others; and while their great durability prevents any sudden diminution of their quantity, the immense surface over which they are spread, and the various purposes to which they are applied, render the effect of a considerably increased supply hardly sensible. All great and permanent variations in the value of the precious metals must, therefore, be occasioned by corresponding variations in the cost of production. It was not by increasing their amount, but by enabling them to be obtained at a less expense, that the discovery of America produced the great revolution that took place in their value in the sixteenth century. The bullion accumulated by the natives was very soon exhausted; and if its importation produced any effect on the value of bullion in Europe, it would, had there been no other cause in operation, have been very slight and transient. But the value of gold and silver was permanently and greatly reduced, because owing to the greater richness of the American mines, they furnished unlimited supplies of these metals for about a *fourth* or a *fifth* part of what it cost to extract them from the mines of the old world. In consequence of this reduction, the demand for gold and silver was vastly augmented; a proportionally greater supply was required for money; and instead of being confined to the houses of noble and opulent individuals, the use of plate became universal among the middle classes, at the same time that immense quantities of bullion were consumed in gilding, embroidery, &c. It is clear, therefore, that those who suppose that the value of bullion fell, because its quantity was increased, mistake the effect for the cause; the truth being, that its quantity was increased, because its value had been pre-

viously lowered — because means had been discovered of obtaining the same supply of gold and silver for about a fourth or a fifth part of what it had previously cost.

After gold and silver have been brought to market, they may be converted either into coin or manufactured articles; their conversion into the one in perference to the other depending entirely on a comparison of the profits derivable from each. No merchant would take bullion to the mint, if he could realise a greater profit by selling it to a jeweller; and no jeweller would convert bullion into plate, provided he could turn it to greater account by converting it into coin. Hence, in countries where the expense of coinage is defrayed by the state, the value of bullion and coin must nearly correspond. When there is any unusual demand for bullion in the arts, coin will be melted down; and when, on the contrary, there is any unusual demand for coin, plate will be sent to the mint, and the equilibrium of value maintained by its fusion.

It appears, therefore, that when gold and silver are produced under a system of free competition, their value depends, like that of all other commodities, on the cost of their production — that is, on the quantity of labour required to bring them to market. While they form the currency of the commercial world, the price of commodities, or their value estimated in money, will consequently vary, not only according to the variations in the cost, demand, and supply of commodities, but also according to the variations in the cost of the gold or silver with which they are compared.

II. We come now to the *second* branch of our inquiry, or that which has for its object to discover the laws which regulate the value of gold and silver when the power to supply them is placed under restraint. It is obvious, supposing competition were not allowed to operate in the production of the precious metals, and that they were monopolised and limited in their quantity, that their value would no longer depend on the principles previously laid down. Whenever the supply of money is limited, its value varies in the inverse ratio of its quantity as compared with the quantity of commodities brought to market, or with the business it has to perform. If, on the one hand, double the usual supply of commodities were brought to market in a country with a limited currency, their money price would be reduced a half; and if, on the other hand, only half the usual supply of commodities were brought to market, their price would be doubled; and this, whether the cost of their production was increased or diminished. Sovereigns, shillings, livres, dollars, &c. would then really constitute mere tickets or counters, to be used in computing the value of property, and in transferring it from one individual to another. And as small tickets or counters would serve for that purpose quite as well as large ones, it is unquestionably true that a debased currency may, by first reducing, and then limiting its quantity, be made to circulate at the value it would bear were the power to supply it unrestricted, and were it of the legal weight and fineness; and by still further limiting its quantity, it may be made to pass at any higher value.

It appears, therefore, that whatever be the matter of which money is made, and however destitute of intrinsic value, it is yet possible, by sufficiently limiting its quantity, to raise its value to any conceivable extent.

Suppose, still better to illustrate this principle, that the money of Great Britain consists of fifty or sixty millions of one pound notes, and that all increase or diminution of this sum is prevented; and suppose farther, that no considerable change takes place in the modes in which money is economised and made use of: it is obvious, on this hypothesis, that the quantity of commodities for which such notes would exchange, would vary inversely, according to the increase or diminution of the commodities brought to market. If we suppose that twice the amount of products that were offered for sale when the currency was limited, are offered for sale a year or two afterwards, prices would obviously fall to half their former amount; or, which is the same thing, the value of money would be doubled: and if, on the other hand, the products brought to market were diminished in the same degree, the value of money would be equally reduced.

Again, assume as before, that the currency consists of fifty or sixty millions of sovereigns: suppose now that government withdraws them and supplies their place with fifty or sixty millions of half sovereigns, and that the issue of additional coins and paper money is effectually prevented: in this case, it is plain, should the same quantity of commodities be brought to market there would be the same number of coins to exchange against them. There would not, therefore, unless the supply of commodities varied, be any change in their price. The hat that had previously sold for a gold coin would still sell for one. It is true that the coin for which it now sells is only half the intrinsic value of the one previously in circulation; but this deficiency has been fully compensated by the artificial value given to it by the monopoly. The country has a certain number of exchanges to perform; and it is quite obvious that were the currency which is to perform them sufficiently limited, a shilling or a sixpence might be

made to do the business, or to pass at the value of a sovereign.

These principles are of the greatest importance to a right understanding of the real nature of money. In inquiring into the circumstances on which its value depends, we must always ascertain, in the first place, whether its supply be free or monopolised. Down to a recent period, it was universally maintained that the value of money depended entirely on the relation between its amount and the demand; but this is true only of a gold or silver currency when its quantity is limited, and of a currency formed of materials having little intrinsic worth when its quantity is limited, and it is not convertible, at the pleasure of the holder, into some more valuable commodity. It is obvious, indeed, without any reasoning on the subject, that the value of a currency consisting of inconvertible paper, or of any other very cheap material, must depend on the proportion which its amount bears to the commodities brought to market, or to the demand. And wherever a currency of this kind, or a limited gold currency, is in circulation, the common opinion, that the prices of commodities depend wholly on the proportion between them and the supply of money is quite correct. But it is altogether different with a freely-supplied currency consisting of gold or silver, or of any other article possessed of considerable value. The fluctuations in the supply and demand of such currency have no permanent influence over its value; this is determined by the cost of its production. If a sovereign commonly exchange for a couple of bushels of wheat or a hat, it is because its production has cost as much as either of these commodities; while, if with a limited and inconvertible paper money, the latter exchange for a one pound note, it is because ich is the proportion which, as a part of e mass of commodities offered for sale, a y bear to the supply of paper, or of mo- pi , in the market. This proportion would, by evident, be not only immediately, but are ently, affected by an increase or di- be in on of the supply of paper or of com- It mu es. But the relation which com- ind dities bear to a freely-supplied metallic currency cannot be permanently changed, except by a change in the cost of producing the commodities or the metals.

Such are the circumstances which determine the value of money, both when the power to supply it is not subjected to any species of control, and when it is controlled and limited. In the former case its value depends, like that of most other things, on the cost of its production; while, in the latter case, its value is totally unaffected by that circumstance, and depends on the extent to which it has been issued compared with the demand.

We have stated these principles so much at large, because those not familiar with them can form no accurate idea of the circumstances which sustain and determine the value of paper money. It may, however, be proper to observe that the principle of limitation could hardly, supposing an attempt were made to apply it, have any material influence over the value of metallic money. From the smallness of their bulk in proportion to their value, the precious metals are very easily smuggled. And were government to attempt, by limiting the gold and silver in circulation, materially to increase their value, such an overpowering temptation would be held out to their clandestine importation from foreign countries as no vigilance on the part of the custom-house officers could counteract. And, therefore, while it is true that if the currency be limited it may be made to pass at a higher value than what naturally belongs to it, it is no less true that this principle cannot be practically acted upon, at least to any material extent, when the currency consists of the precious metals, or of paper immediately convertible into them; the facilities of importing them from other countries being such as to prevent any considerable limitation of their quantity being either made or maintained.

But though it is impracticable, by limiting the supply of metallic money, to raise its value considerably above that of bullion, it must not, therefore, be supposed that it would be improper to impose a moderate seignorage or duty on the coinage of money. Coins charged with a seignorage equal to the expense of coinage do not pass at a higher value than what naturally belongs to them, but at that precise value; whereas, if the expense of coinage be defrayed by the state, coins pass at less than their real value. A sovereign is of greater utility and value than a piece of pure unfashioned gold bullion of the same weight; because while it is as well fitted as bullion for being used in the arts, it is, owing to the coinage, better adapted for being used as money, or in the exchange of commodities. On what principle, then, should government decline to charge a seignorage or duty on coins, equal to the expense of coinage, that is, to the value which it adds to the coins? Those who contend that the state should defray the expense of coining gold and silver, might, with equal cogency of reasoning, contend that it should also defray the cost of manufacturing gold and silver tea-pots, vases, &c. In both cases the value of the bullion is increased by the cost of the workmanship; and it is only fair and reasonable that those who carry bullion to the mint should be obliged, like those who carry it to a jeweller, to pay the expense of its conversion into the desired shape.

It is unnecessary to recapitulate the reasonings by which Dr. Smith has shown that the imposition of a seignorage would both prevent the exportation of coins, on every slight fall of the exchange, and their fusion. Abroad a British coin is only worth so much bullion; but if a seignorage were charged upon it, its value here would be increased by the amount of that seignorage. The exchange would, therefore, have to fall to a greater extent than at present, before it would suit a merchant to export such coins; and though they were exported they would, under the circumstances supposed, stand a much better chance of being preserved entire, and of being again sent back to us the moment the exchange became favourable. (See *antè*, p. 247.)

SECTION II.

Defects incident to a Currency consisting of the Precious Metals. — Variable Value of these Metals. — Expense of a metallic Currency. — Means by which that Expense may be lessened.

NOTWITHSTANDING the almost universal adoption of the precious metals as a medium of exchange, and the many qualities that fit them for that function, they are still very far from being a perfect currency. And before proceeding to treat of the substitutes that have been introduced in the place of gold and silver, it may be proper to endeavour to point out the circumstances which form the great drawbacks upon their use as money.

These circumstances may be classed under two prominent heads — *first*, the variable value of the precious metals; and *second*, the heavy expense which it costs to maintain them in circulation.

(1.) It is obvious, inasmuch as the value of the precious metals depends on the cost of their production, that in the event of the more fertile mines being exhausted, it would be increased according to the increased difficulty of raising them; and it is farther obvious, from the circumstance of the obligations in most contracts being estimated, or rated in money, that should its value increase there would be a change in the situation of the debtor and creditor portions of society — the condition of the former being improved, and that of the latter depressed: and if, on the other hand, instead of the mines being exhausted, new and more productive ones should be discovered, or more improved methods of mining be introduced, the opposite effects would follow. In this case the value of gold and silver would *fall*; and debtors would be enriched at the expense of their creditors. Every one knows that this occurred after the discovery of the American mines. Owing to the greater facility with which gold and silver were then supplied, their value, as compared with the mass of commodities, sunk during the sixteenth century and the first half of the seventeenth, when the fall seems to have ceased, to about a *fourth* part of what it had previously been: so that the heirs of an individual, who had in 1490 bought a perpetual annuity of one hundred pounds a year, were not really receiving more in 1650 than 25*l.* a year of money of the value of that which had been in circulation, and in the contemplation of the parties, when the contract was entered into.

But with the exception of the fall that took place in consequence of the discovery of America, the precious metals have been comparatively steady in their value. It is, indeed, impossible to say when or by what means their value may be again affected; but at present there does not seem much probability of any very material change. But supposing such to occur, no commodities it is possible to select as standards by which to measure the value of others, can be wholly exempted from these contingencies. All articles produced by labour must necessarily vary in value according to the skill with which it is applied. Although, however, the precious metals fall very short of being a perfect standard, they certainly are the best of any hitherto suggested. Their quantity cannot be suddenly diminished; and the demand for them is such as to prevent any unusual productiveness of the mines from speedily lowering their value. It may, therefore be concluded, that though the value of gold and silver may differ widely at distant periods, because of the varying productiveness of the mines, and of improvements in the art of mining and working metals, it is, in all ordinary cases, abundantly uniform to secure us against any risk of sudden and injurious fluctuations

(2.) The expense of a currency consisting of gold and silver is undoubtedly a most important consideration. If, for example, the currency of Great Britain amounted to fifty millions of gold sovereigns, and if the customary rate of profit were *five* per cent., this currency, it is plain, would not cost less than two and a half millions a year; for had these 50 millions not been employed as a circulating medium, they would have been vested in branches of industry, in which, besides affording employment to some thousands of individuals, they would have yielded five per cent., or two and a half millions a year, nett profit to their owners. Nor is this the only loss that the keeping up of a gold currency would occasion. The capital of 50 millions would be liable to perpetual diminution. The wear and tear of coin is by no means inconsiderable; and supposing the expenses of coinage were defrayed by a seignorage, the deficiency in the weight of

the old worn coins, when they are called in to be recoined, has to be made up by the public. There is, besides, a constant loss from shipwrecks, fire, and other accidents; and, when due allowance is made for these different causes of waste, perhaps it would not be too much to suppose, that a country which had 50 millions of gold coins in circulation, would have annually to import the 100th part of that sum, or half a million to maintain its currency at its proper level.

If these remarks be well founded, it follows that were the customary rate of profit in Great Britain five per cent. it would cost us *three* millions a year to maintain 50 millions of gold coins in circulation! And though it be true that a reduction of the rate of profit would proportionally reduce the nominal amount of this expense, yet as the reduced expense would, in consequence of the fall of profits, bear the same proportion to the public income that the higher expense did, the cost of the currency would not be in any degree diminished by a circumstance of this sort.

The case of France furnishes a still more striking example of the heavy charges attending the general use of a metallic currency. The total amount of the gold and silver currency of that kingdom has been estimated by Necker at 2200 millions of francs, and by Peuchet at 1850 millions. Now, taking the mean of these estimates, as most likely to be nearest the truth, and supposing the rate of profit to be *six* per cent., this currency must cost France 121 millions of francs a year, exclusive of the wear and tear and loss of coins; and supposing as before, that these amount to 100th part of the entire mass, it will make its whole annual expense amount to the large sum of 1·11 millions of francs, or about five millions six hundred and forty thousand pounds sterling.

But this heavy expense, though certainly the greatest, is not the only drawback attendant on the use of the precious metals as currency. The possession of great value in small bulk is one of the circumstances which have recommended their adoption as money, or rather it has particularly fitted gold for being used for that purpose. Still, however, the weight of a large sum in gold is so very considerable as to render its transportation from place to place a matter of considerable difficulty and expense. One thousand sovereigns weigh above 21*lbs.* troy; so that a carriage would be necessary to convey the gold required to discharge a debt of 50,000*l.*; while, if silver were employed to pay it, upwards of *five* tons would be required!

The wish to lessen the original expense of a metallic currency, and the subsequent expense attendant upon its conveyance from place to place, has doubtless been the chief source of the various contrivances devised for economising money, and for fabricating it of less costly materials. The most important of these contrivances may be classed under the heads of bills of exchange, banks of deposit, and banks of circulation.

I. Bills of exchange were invented in order to obviate the necessity of conveying money from one place to another. When commerce is carried on to any considerable extent, each commercial town has most commonly within itself individuals who are creditors and debtors of the towns with which it maintains an intercourse. There are, for example, in Liverpool persons who have creditors in Glasgow and others who have debtors, and Glasgow is, of course, in precisely the same situation with respect to Liverpool. When, therefore, a merchant A., in one of these towns, as Liverpool, has to pay a debt due by him to B. in the other, he does not transmit money to Glasgow for its payment, but he goes to one of his neighbours, C. of Liverpool, to whom some person, D. in Glasgow is indebted, and having paid him a sum equivalent to his debt to B., he gets in return a letter or order, technically denominated a bill of exchange, addressed to D., requesting him to pay that sum to A. or his order; and A. transmits this letter or order to B., who presents it to D., and receives payment. By this means the debt due by A. to B., and by C. to D., is extinguished; the debtor in one place is exchanged for the debtor in the other; and the expense and trouble of carrying money from Liverpool to Glasgow to pay the debt of A. to B., and from Glasgow to Liverpool to pay the debt of D. to C., is rendered quite unnecessary. Each debtor gets payment from his immediate neighbour, so that the convenience as well as the interest of all parties is consulted.

In highly commercial countries, like Great Britain, every possible facility is given to the settlement of transactions by means of bills of exchange. The banking companies established in all our considerable towns maintain a constant correspondence with each other and with London; so that an individual residing in any part of the country, who may wish to make a payment in any other part, has always the means, by applying to the bank nearest him, of getting a bill for the amount. By far the greatest proportion, both of the inland and foreign bills, is made payable in London, the grand focus to which all the great pecuniary transactions of the empire are ultimately brought to be adjusted. And in order still farther to economise the use of money, the principal bankers of the metropolis are in the habit of daily sending a clerk to the *clearing house* in

Lombard Street, who carries with him the various bills in the possession of his house drawn upon other bankers, and having exchanged them for the bills in the possession of those others that are drawn upon his constituents, the balance is paid in cash or bank of England paper. By this contrivance the bankers of London are enabled to settle transactions to the extent of several millions a day by the intervention of not more at an average than from 200,000*l.* to 300,000*l.* of cash or bank notes.[1]

The facilities for the purchase and sale of foreign bills of exchange, or of bills drawn on individuals resident in foreign countries, are almost equally great. The bill merchants, or bill-brokers resident in London, and all great commercial towns, are always ready to buy or sell bills on every quarter with which we have directly or indirectly any commercial intercourse: so that means are always at hand of effecting the largest payments in any quarter of the world without in general requiring the transmission of a single ounce of gold.

II. The second species of device for economising the use of money, consists in the establishment of *banks of deposit*. Bills of exchange, it is plain, can only be conveniently used in the payment of considerable sums owing by persons residing at a distance from each other. But there is everywhere, and especially in large towns, an immense number of payments that are constantly being made by one set of individuals to another. And to facilitate the making of such payments with the least possible inconvenience, banks of deposit have been established. These are either carried on without any view to profit for the accommodation of those who subscribe to them, or they are carried on by individuals as a mercantile speculation on their own account. The bank of Amsterdam did, and the bank of Hamburgh does, belong to the first class, while the private banking companies of London belong to the second. When a public deposit bank is established, those who make use of its services deposit with its officers the money they must otherwise have kept at home in order to meet the current demands upon them; and when an individual who has obtained a bank credit has a payment to make to any other person dealing with the bank — and the principal traders in most towns in which a public bank of deposit is established belong to it — it is made by the transfer of so much credit, or *bank money*, from the one account to another; and it is only in the event of a person having to pay money to a stranger that he has any motive to withdraw his deposit from the bank. In this way the circulation of money is rendered superfluous for all but the smallest payments; and individuals are exempted from the risk attending the keeping of cash at home. A depositor has nothing to fear from robbers or accidents, nor is he liable to loss from fraud or inattention either in receiving or paying money.

Banks of deposit have been established, not merely for the sake of economising currency, but also, as Dr. Smith has explained, (p. 211.) for the purpose of giving uniformity to the value of the money of commercial cities, into which large quantities of foreign specie, of various denominations and degrees of fineness, are usually introduced. If bills drawn upon a city so situated were paid in current money, it might frequently be difficult to ascertain their precise value; and this circumstance would tend to depress the exchange below its natural level. But a bank of deposit affords the greatest facilities for obviating these inconveniences; it being sufficient to order, as was done at Amsterdam, that the deposits should be made in coin of the standard weight and purity, or in assayed bullion, and that bills of exchange should be uniformly paid in bank money. The deposit bank at Hamburgh, which is one of the best managed establishments of the kind in Europe, receives no deposits in coin, but only in bullion of a certain degree of fineness, which it binds itself to repay according to a fixed and invariable scale. By this means the expense of coinage is saved on all the bullion deposited with the bank; and instead of representing quantities of coin, the credits in the bank books represent certain quantities of standard silver.

Those who deal with a public bank of deposit do so for the sake of convenience and security merely, without any view of profiting in any other way by the concern. A pure deposit bank has nothing in it of the nature of a trading association. It is to those by whom it is made use of what the clearing house is to the London bankers. Money is not lodged in it that it may be lent to others, or employed in any sort of speculation or adventure, but for the sake of security, and as a means of facilitating the payments to be made by the depositors. Bank credits vary from day to day, and even from hour to hour, according to the payments which those who hold them have to make and receive; so that it would be almost impossible, were it attempted, to calculate the share that each individual dealing with the bank ought to have of its profits, supposing it to make any. The expenses attending the management of a deposit bank are most commonly defrayed either by a small fee charged on every transfer of bank money from one individual to another, or by

[1] For an account of the technical operations at the *clearing house*, see Mr. Gilbart's Practical Treatise on Banking, p. 16.

a charge on the coin or bullion deposited, or both. The bank of Hamburgh, for example receives the bullion deposited in its coffers at the rate of 442 schillings the mark, and issues it at the rate of 444 schillings; being a charge of 4-9ths, or nearly one half per cent. for its retention.[1]

It is plain, from these statements, that any attempt to accommodate individuals by loans of bullion or of bank credit is totally inconsistent with the principles of a public deposit bank, and the objects for which it is instituted. So long, however, as the managers of such an establishment are chosen by, and made directly responsible to, the depositors, there is little fear of any such proceedings taking place; for it is not to be supposed that the depositors will consent to have the institution perverted from its object, and their security lessened, for the mere advantage of the managers. The want of all control on the part of the public, was the radical defect in the constitution of the bank of Amsterdam. The magistrates of the city were, *ex officio*, the managers of the bank, the depositors being divested of all power to inquire into the real state of the concern. In consequence, its affairs were shrouded in impenetrable mystery; so that the honour of the directors was in truth, the only security on which the public had to rely; and the result showed how dangerous it is to trust to such a guarantee, (*antè*, p. 215.) In this respect the constitution of the bank of Hamburgh is infinitely preferable to that of Amsterdam. Its managers, who are appointed for short periods only, are chosen by the depositors; and its affairs are conducted with the greatest publicity, and without any sort of reserve. A deposit bank, managed in this way, can never be deprived of the public confidence, but must necessarily continue, consistently with the objects for which it was instituted, to be neither more nor less than a place for the safe deposit of bullion, and for its commodious transfer from one individual to another.

The private banking companies established in London, and other parts of the country, are partly banks of deposit, and partly trading concerns. They are not public institutions, but are conducted by and for the advantage of private individuals. Those who keep an account at a private banking house, send all bills and drafts payable to them to it, to be presented and received on their account; and they are, also, in the habit of making all considerable payments by checks on it. To indemnify the bankers for their trouble, it is understood or stipulated, that the individuals dealing with them shall keep an average balance of cash in their hands, varying according to the amount of business transacted on their account. The bankers then calculate, as well as they can, the amount of cash they must keep in their coffers to meet the probable demands of their customers, and employ the balance in discounting mercantile bills, the purchase of government securities, or in some other sort of profitable adventure; so that their profits consist of the difference between the various expenses attendant on the management of their establishments, and the profits they derive from such part of the sums lodged in their hands as they are enabled to employ in an advantageous way.

It is obvious, from this statement, that the security afforded by a private bank of deposit is a matter as to which there must always be more or less of doubt. When, indeed, private banking companies confine themselves to their proper business, and do not embark in speculations of unusual hazard, or from which their funds cannot easily be withdrawn in the event of any run being made upon them, they can hardly ever fail of being in a situation to meet their engagements; while the large private fortunes that most commonly belong to the partners afford those who deal with them an additional guarantee. Much, however, depends on the character of the parties, and on a variety of circumstances with respect to which the public can never be correctly informed. Hence, though there can be no doubt that the security afforded by many private banks of deposit is of the most unexceptionable description, this may not be the case with others.

In one respect a private deposit bank has an advantage over a public one. The latter, as has been already seen, has no motive to lend any portion of the bullion deposited in its coffers, which, in fact, it can never do without injury. But the confidence usually inspired by the wealth of the partners of a private bank, and the excess of the deposits they receive above the sums which are demanded, give them the means of employing, as capital, a considerable portion of the money lodged in their hands, and thus, by rendering what would otherwise be idle, or only employed in circulating commodities, available for industrious purposes, they are in so far productive of benefit; though it may, at the same time, be doubted, whether this be sufficient to balance their greater insecurity.

III. But notwithstanding the economy of money, and the saving of risk and trouble resulting from the use of bills of exchange and banks of deposit, there is still a very heavy expense attendant upon the employment of the precious metals as currency. The impossibility of employing bills of exchange in the settlement of the great ma-

[1] Storch, Economie Politique, tome iv. p. 104.

jority of transactions renders the employment of a large quantity of money indispensable; while the state loses the whole value of the bullion or capital that is locked up in the coffers of the deposit banks. Should, therefore, means be devised for fabricating that portion of the currency required for the settlement of such transactions as cannot be adjusted by bills of exchange, of some material having little real value, the cost of its maintenance would be proportionally diminished; and the bullion in the coffers of the deposit banks would be disengaged for other purposes. Of the materials suggested for this purpose, paper has been by far the most generally resorted to, and is in every respect the most eligible. By using paper instead of gold, we substitute the cheapest in room of the most expensive currency; and enable the society, without loss to any individual, to send abroad all the coins rendered superfluous by the use of paper, getting in return from the foreigner an equivalent in raw materials, or manufactured goods.

To trace the various steps in the progress of paper money, from its first introduction to its present state, would greatly exceed our limits. It is sufficient to observe that the pecuniary engagements of individuals are early reduced to writing. This is necessary to give security to the creditor, that he shall be able to claim the full amount of his debt, and to the debtor, that he shall not be liable to any overcharge; in a word, to avoid all those differences which seldom fail to arise when the terms of contracts are not distinctly specified. In process of time, and when society becomes more commercial, individuals possessed of the written obligations of others begin to transfer them to those to whom they are indebted; and, after the advantages derivable from employing them in this way have been ascertained, it is an obvious source of emolument for individuals in whose wealth and discretion the public have confidence, to issue their obligations to pay certain sums, in such a form as may fit them for performing the functions of a circulating medium in the ordinary transactions of life. Such is the origin of paper money. None would refuse to accept the promissory notes or obligations of individuals of large fortune, and of whose solvency no doubt could be entertained, in payment of debts. And while the circulation of such notes is an accommodation to the public, it is a very considerable source of profit to the issuers. Suppose, for example, that an individual issues a promissory note payable on demand, or at some fixed period, for 5,000*l*; he must, previously to his issuing it, have received an equivalent of some sort or other, or, which is by far the most common case, he must have advanced it to an individual who has given him security for its repayment, with interest. In point of fact, therefore, the issuer has exchanged his promise to pay 5,000*l*. for the interest to be derived from a real capital of that amount; so that while the promissory note, whose intrinsic worth cannot well exceed sixpence, remains in circulation, he will, supposing interest to be five per cent., receive from it a revenue of 250*l*. a year. It is on this principle that such bankers as issue notes conduct their business. A banker could make no profit were the dead stock he is obliged to keep in his coffers equal to the amount of his notes in circulation. But if he be in good credit, a third or a fourth part of this sum will perhaps be sufficient; and his profits, deducting the expense of his establishment, and of the manufacture of his notes, depend on the excess of the profit derived from the paper he has in circulation, over the profit he might realise by employing the stock kept in his coffers to meet the demands of the public. "A bank," says Mr. Ricardo, "would never be established, if it obtained no other profits than those derived from the employment of its own capital: the real advantage of a banker commences only when he begins to employ the capital of others."

It is unnecessary, after the statements made by Dr. Smith with respect to the Bank of England, and the notes we have subjoined to them, (*antè*, p. 140.) to enter in this place into any details with respect to the history and organisation of that establishment. But some remarkable changes have taken place, since the publication of the Wealth of Nations, in the numbers, constitution, and importance of private banks. The number of such establishments existing in England and Wales in 1776 is not exactly known; but we believe it may be estimated at about 150. In 1792 the private banks amounted to about 350, of which about 100 were destroyed by the revulsion that took place in the latter part of that year and the beginning of 1793. In 1800 the private banks exceeded 300; and so rapidly did they increase during the immediately subsequent years, that in 1814 they amounted to 940! It is material to observe that the greater number of these banks issued notes; they supplied, indeed, the greater part of the currency of many extensive districts their issues forming a large proportion of the money of the empire. The act of 1708, prohibiting the introduction of more than *six* partners into any establishment for the issue of notes payable on demand in England and Wales continued in operation till 1826, when, as will be afterwards seen, it was repealed in consequence of the events of that and the preceding year.

There is a considerable difference in the manner of transacting business in the bank-

ing establishments in different parts of the kingdom. The country bankers of England allow interest on the balances of money in their hands, the majority charging commission, over and above the interest, on the money they lend. The private bankers of London rarely allow interest on deposits. As they do not issue notes of their own, they are not interested in the increase but in the economising of the currency. Their proper business is to take care of other people's money, and to make and receive payments for them. They charge no commission; their profits being derived, as already stated, from the balances of their customers' money in their hands. The majority of the Scotch banks are at once banks of issue and of deposit. Such of them as issue notes do not charge any commission beyond the common rate of interest on the sums they lend; but such as do not issue notes, sometimes charge a commission.[1] At present (1863) the deposits in the Scotch banks are supposed to exceed 50,000,000*l.*

It would be most desirable were it possible to adopt some such system in England, and particularly in London, with respect to deposits, as is adopted in Scotland. At present, neither the Bank of England nor any of her branches allows interest on deposits. The middle and lower classes are therefore, by the want of any safe and advantageous method of disposing of their savings, rendered less anxious than they otherwise would be to accumulate; at the same time that they are rendered more disposed to adventure their money in hazardous undertakings, or to lend it to individuals of doubtful characters and desperate fortunes. It is true that there are in England provident banks, conducted upon the deposit system

But these banks are not universally established, and besides they are much restricted. No person can contribute more than 30*l.* exclusive of interest, in a year, or 150*l.* in all; and whenever the deposits, and the interest accruing thereon, amount together to 200*l.* no farther interest is paid on such deposit. But it is desirable that the widest encouragement should be given to this system. Were the Bank of England to receive deposits of 10*l.* and upwards, and allow interest upon them at about one per cent. less than the market rate, she would confer an advantage upon the community, and open a source of profit to herself. It is doubtful, however, whether the Bank of England could offer interest on deposits in the way now suggested without having such an amount forced upon her as might endanger her stability. And it were better that matters should continue on their present footing, than that any risk of this sort should be incurred.

As no means have been devised, or seem practicable, for limiting the promissory notes issued by private individuals, their value, it is plain, could not be maintained should those by whom they are issued fall into discredit, or be relieved from their promise to pay them. But it is otherwise with notes issued by the state, or by a company acting under its control. The quantity of such notes may be effectually limited; and it has been shown, in the previous section, that, when this is done, intrinsic worth is not necessary to a currency; it consequently follows, that by properly limiting the supply of paper money declared to be *legal tender* its value may be sustained on a par with gold, or any other commodity. It will be shown, in the next section, how this limitation may be best effected.

Section III.

Means by which the Value of Paper Money may be kept on a Par with Gold.

In the first part of this note we endeavoured to show, in the first place, that when the power to supply money is not restricted, its value depends, like that of most other commodities, entirely on the cost of its production; and that in the second place, or when the power to supply money is monopolised, its value does not depend on the cost of its production, but on the quantity in circulation compared with the demand.

This distinction is of very great importance, and should never be lost sight of. Its elucidation has served to clear up almost all the doubts and difficulties with which the theory of money was previously encumbered, and has been a means of suggesting several important practical measures. Until very recently it was universally supposed that the ability to convert paper into gold, at the pleasure of the holder, was necessary to sustain its value. But it is plain, as well from the principles already stated, as from experience, that the mere limitation of the quantity of paper made legal tender is quite sufficient to preserve its value on a par with the value of gold, or to raise it higher. When the restriction on cash payments at the Bank of England took place in 1797, it was very generally and confidently predicted that the value of her notes would immediately fall: but their employment in the payment of the dividends and of the public taxes really made them, in some most im-

[1] The private bankers in Scotland, who do not issue notes, pay the same rate of interest on the money deposited in their hands as those who do issue notes; they most frequently, too, discount on the same terms as the others; and they occasionally also grant cash accounts, or cash credits, on the same terms.

portant respects, a species of legal tender; and to the surprise, both of the friends and opposers of the restriction, they continued for three years to bear a small premium over gold; and their depreciation, which began in 1800, was entirely owing to the greatly increased quantities that were then thrown upon the market.

The history of the paper currency of most other countries affords abundant proofs of the operation of this principle.[1] In Russia, to give only one example, forty millions of paper rubles, or assignats, were issued in 1769 by the government bank established in the preceding year. There were some regulations with respect to the conversion of these assignats into *copper*; but M. Storch has shown that these were altogether illusory, and that, practically, the assignats were inconvertible. They were, however, made legal tender at the same rate as *silver* rubles; while, in order to insure their circulation, it was ordered that a certain proportion of the taxes due by each individual should be paid in them. In consequence of these regulations, the assignats really formed a species of inconvertible paper money; and as their supply had not been originally excessive, and no further additions were made to it for about *eighteen* years, they continued, during the whole of that period, to circulate at about the same value as silver. In 1787, however, a fresh emission of sixty millions of additional assignats took place, which immediately depressed their value about eight per cent. under silver. And owing to successive emissions, the mass of assignats in circulation in 1811 was increased to the enormous sum of 577 millions, when they fell to a discount of 400 per cent., as compared with silver! Since 1815 the mass of assignats has been much diminished; and their value has uniformly increased with every diminution of their quantity. Can any more conclusive proof be required, to show that the value of such paper currency, as is legal tender, is always proportioned — other things being the same—to the quantity in circulation?[2]

It may be worth while, perhaps, to observe that neither the existence nor the want of confidence in the solvency of the issuers exercises the smallest influence over the value of paper money, properly so called. Notes not legal tender, and payable on demand, or at some stipulated period, are not paper money, though they serve the same purposes during the time they continue to circulate. The value of such notes is wholly derived from the confidence placed in the ability of the issuers to retire them when presented for payment, or when they become due. Whenever, therefore, this confidence ceases, their circulation necessarily ceases also. But no such circumstances affect *paper money*, meaning by paper money, paper made legal tender, and not legally convertible into gold or any thing else, at the pleasure of the holders, or at any given period. No part whatever of the value of such paper money is derived from confidence. It circulates because it is made legal tender, and because the use of a circulating medium is indispensable; and its value, supposing the demand to be constant, is in all cases inversely as the quantity in circulation.

It has been already seen that in the event of an attempt being made by limiting the quantity of gold and silver, in a particular country, to raise their value in it higher than in other countries, it could not, owing to the extreme facility with which they may be clandestinely imported, have any considerable, or, indeed, almost perceptible influence. And, on the other hand, if an unusually large supply of the precious metals were, upon any occasion, imported into a particular country, or extracted from mines belonging to it, the excess would speedily find its way abroad, notwithstanding the intervention of any laws or regulations to the contrary. These principles are now almost universally assented to, as well by governments as by theorists. The restraints once so prevalent on the trade in the precious metals, which Locke happily compared to attempts to hedge in the cuckoo, are now either relinquished or have become inoperative. Since 1819 the trade in gold and silver in this country has been perfectly free, every one having full liberty to deal with the foreigner in coin or bullion. And such is the facility with which bullion may be conveyed from one country to another, that its value at Hamburgh and Amsterdam can hardly, in a period of peace, differ more than one eighth per cent. from its value in London, without causing it to be sent from where its value is least to where it is greatest.

It is evident, therefore, that the supply of the precious metals in one country, must, generally speaking, be limited to the quantity required to supply its effectual demand for them, that is, to preserve their value in it on a par with their value in other countries. And, therefore, when the currency of any particular country consists of the precious metals, the value of any given quantity or weight of its currency cannot differ materially from the value of the same quantity or weight of the currency of another country, also consisting of the precious me-

[1] For an instructive account of the paper currency of the different continental states, see Storch, Cours D'Economie Politique, tome iv. pp. 94—238 Paris, 1823.

[2] Storch, tome iv. p. 201

tals. Such, however, is not the case with a currency consisting of inconvertible paper. Paper money is necessarily confined to the country in which it is issued: its value is not real and universal, but artificial and local. It does not depend on the cost of its production, but on the circumstance of its being made legal tender in a particular country, and issued in limited quantities. The moment it is carried out of the country wherein it is legal tender, it becomes nearly or perhaps entirely worthless. Paper money is completely destitute of that power of self-contraction and expansion which is possessed by a currency consisting of the precious metals, or of paper immediately convertible into them. It can neither be exported to other countries when issued in excess, nor can it be imported from them when the issues are unduly contracted. Its value, in fact, depends in every case, as already stated, on the magnitude of its issues compared with the business it has to perform. If its quantity be unduly increased, its value will fall below that of gold; and if it be unduly diminished, it will rise above it.

It would not, however, be difficult for the issuers even of inconvertible paper, were they so disposed, to preserve its value on a par with that of gold or silver. Suppose, for example, that there are no gold coins in circulation in Great Britain, and that our currency consists wholly of inconvertible paper issued by government, or by a board acting under its orders: under these circumstances, it is quite plain that no gold would be imported either to be used as money or to be kept as reserves in the coffers of the bankers; but the demand for it in the arts would notwithstanding cause it to be imported in large quantities; and it might still be made a standard by which to regulate the issues of paper. Thus, when the holders of $3\frac{17}{40}$*l.* (3*l.* 17*s.* 10½*d.*) of paper could readily exchange it for an ounce of gold bullion of 22 carats fine, it would be a proof that it was of exactly the same value as gold, and that, consequently, its quantity should neither be increased nor diminished. But if more or fewer than $3\frac{17}{40}$*l.* in paper were required to buy an ounce of bullion, it would show in the one case that the value of paper had fallen too low, and that its quantity should be lessened; and in the other, that its value had risen too high, and that its quantity should be increased. By acting in this way, or, which is substantially the same thing, by attending to the exchanges, and lessening the supply of currency when they begin to fall, and increasing it when they begin to rise, the value of paper money might be kept very nearly on a level with the value of the metallic money that would circulate in its stead were it withdrawn. This conduct is that, in fact, of every prudent banker obliged to pay his notes on demand. He does not defer narrowing his issues until a heavy drain for bullion has set upon his coffers, but sets about their contraction the moment he observes the price of bullion rising, and the exchanges falling; enlarging them under the opposite circumstances. The obligation to pay in bullion compels attention to be paid to principles that might otherwise be contemned; but that is all. And hence it follows, that if sufficient security could be obtained, that the power to issue inconvertible paper would not be abused, and that its amount would be enlarged and diminished so as to preserve its value on a par with gold,—the latter might be entirely dispensed with for all pecuniary purposes, except as a standard, though it might still be expedient to use a subsidiary silver and copper currency, as at present, for small payments.

Unfortunately, however, no such security can be given. This is a point, respecting which there is no room for difference of opinion. The widest experience shows that no man, or set of men, has ever had power to make unrestricted issues of paper without abusing it, that is, without issuing it in inordinate quantities. Should the power to supply the state with paper money be unconditionally vested in a private banking company; then, to suppose that they should endeavour, by carefully limiting their issues, constantly to sustain the value of their paper, would be to suppose that they should be extremely attentive to the public interests, and extremely inattentive to their own! The re-enactment of the restriction on cash payments at the Bank of England, and the rendering it perpetual, would have no perceptible effect on the value of bank notes, provided their quantity were not at the same time increased. But there cannot be a doubt that, under such circumstances, it would be increased. The directors of the Bank of England would then be able to exchange scraps of engraved paper not worth perhaps five shillings a quire, for as many, or the value of as many hundreds of thousands of pounds. And is it to be supposed that they should not avail themselves of such an opportunity to amass wealth? If government allow a private gentleman to exchange a bit of paper for an estate, will he be deterred from doing so by any considerations about its effect on the value of the currency? It is indispensable, therefore, that the issuers of paper money should be placed under some efficient check or control; and the comparatively steady value of the precious metals at once suggests that no check can be so effectual as to subject the issuers of paper to the obligation of exchanging their notes, at the pleasure of the holder, for an invarying quantity of gold or silver.

It has been contended, however, that there is a material difference between notes issued by government in payment of the debts it has contracted and those issued by private banking companies in discount of good bills. In regard to the former, it is admitted, on all hands, that they may be issued in excess; but, in regard to the latter, it has been strenuously urged, that "notes issued only in proportion to the demand, in exchange for good and convertible securities, payable at specific periods, cannot occasion any excess in the circulation, or any depreciation." As most of the arguments advanced by those who contended that the currency of Great Britain was not depreciated in the interval between 1800 and 1819, involve this principle, it may be worth while briefly to examine it.

In the *first* place it is to be observed, that the demand for discounts does not depend nearly so much on the species of security required for the repayment of the sums advanced by a bank as on the rate of interest for which they may be obtained, compared with the ordinary rate of profit that may be made by their employment. If an individual can borrow from a banker, at four or five per cent., and if he can realise seven or eight per cent. by the employment of the loans, it is evidently for his interest, and it would be for the interest of every other person similarly situated, to borrow to an unlimited extent. But a banking company, relieved from the obligation to pay its notes in cash, and not, of course, obliged to keep any unproductive stock or bullion in its coffers, would be able to issue notes at the lowest possible rate of interest, and the demand for its paper would therefore be proportionally great.

From 1809 to 1815, inclusive, the period in which the value of our paper currency as compared with gold was lowest, the market rate of interest considerably exceeded the rate (5 per cent.) at which the Bank of England and most of the country banks lent previously to the reduction in 1823. Although, therefore, the quantity of paper afloat had been in the interim very much increased, the demand for fresh discounts continued as great towards the end of the period in question as at the beginning. And there seems no reason to doubt that the amount of notes in circulation would have been very much increased, had the issuers not been apprehensive that ultimately they might have to pay them in specie; at least such would certainly have been the case, had they acted up to their avowed opinion that it is impossible to issue too much paper, or to reduce its value, by engrossing into the circulation notes issued in discount of good bills. The wants of commerce are altogether insatiable. Inconvertible paper, provided the rate of interest at which bills are discounted be less than the market rate, can never be so abundant as to prevent a demand for additional supplies. So long as this is the case, million after million may be thrown upon the market. The value of the currency might be so reduced as to require a five or ten pound note to purchase an ounce of gold; but the circumstance of its value being diminished in proportion to the increase of its quantity would render the demand for additional supplies as great as ever.

On the whole, therefore, it is plain, that whether the power of issuing paper money be vested in the hands of a private banking company or of government, it should be placed under some efficient check or control, such as the obligation to pay it in gold or silver. It is easy to discover the manner in which a check of this kind limits the issue of paper, and sustains its value. Whenever so much paper is issued as to sink its value below bullion, it begins to be returned upon the issuers for payment; and they are, in consequence, obliged to prevent the exhaustion of their coffers, by contracting their issues, and raising their paper to a level with gold. A very slight depression in the value of paper below gold or silver, is sufficient to make them be demanded in exchange for it; so that its value when convertible at pleasure into *unvarying quantities* of the precious metals, never differs considerably from their value. The issues of the Bank of England were for more than a century limited on this principle, and in the manner now explained; and during the whole of that period they were hardly ever depreciated one fourth per cent., and never more than one per cent., and that but for a few days only towards the end of the American war.

But though it be thus necessary, in order to avoid all sudden and injurious fluctuations in the value of paper, that it should be made exchangeable at the pleasure of the holder for gold or silver, it is not essential to this end that it should be made exchangeable for gold or silver coins. Previously to the resumption of specie payments by the Bank of England in 1821, she was obliged to give bars of assayed bullion in exchange for her notes, according to a plan suggested by Mr. Ricardo; and there can be no doubt that this obligation would sustain the value of paper quite as effectually as it is sustained by the obligation to pay in coin of the legal weight and purity, at the same time that it would save the greater part of the heavy expense occasioned by the use of metallic money. But, how important soever, these are not the only considerations to be attended to. The discovery of means for the prevention, or at least diminution, of the forgery to which the

substitution of notes in the place of coins had given rise, was indispensably necessary to the maintenance of Mr. Ricardo's plan; and notwithstanding all the efforts that have been made, this desideratum has not yet been supplied. Forgery in the larger description of notes, or in those for *5l.* and upwards, may with due precaution be prevented from becoming injuriously prevalent. But low notes, or those of the value of *1l.* or *2l.*, having to circulate amongst the labouring classes, and in immense numbers, present facilities for the issue of spurious paper, which it has been found impossible materially to diminish. Hence, in 1821, the plan of paying in bars of bullion was abandoned, and the Bank of England recommenced paying in specie.

Section IV.

Quantity of Paper afloat necessarily different at different Periods.—Destruction of Country Bank Paper in 1792–93.—*Crisis of* 1797.—*Destruction of Country Bank Paper in* 1814–16, *and in* 1825–26.—*Growth of Joint Stock Banks.—Defects in the Joint Stock Banking System.—Remarks on the Proposals for the suppression of Local Issues, and for taking Security from the Issuers.*

When the currency consists, as in England, partly of the precious metals, and partly of paper convertible into them, the effects produced by an overissue of paper are the same as those resulting from an overissue of gold or silver. The excess of paper is not indicated by a depreciation or fall in the value of paper compared with gold, but by a depreciation in the value of the whole currency, gold as well as paper, as compared with that of other states. Suppose that our currency is at its proper level, or, that the amount of gold and paper in circulation is such as to render the currency of Great Britain equivalent to that of the surrounding states, so that there is neither an influx nor an efflux of the precious metals; and, suppose that, under these circumstances, an additional million of notes is issued by the Bank of England, or the country banks: it is obvious that this issue of paper will have precisely the same effect on the value of money as if it consisted of a million of sovereigns. There cannot, it is clear, be any depreciation in the value of paper as compared with gold in this country; for it may be immediately exchanged for gold, and it is as readily received in all payments. The effect of inordinate issues of immediately convertible notes is not, therefore, to cause any discrepancy between paper and gold in the home market, but to increase the amount of the currency, and by rendering it redundant as compared with that of other countries, to depress the exchange; and thus, inasmuch as notes do not circulate abroad, to cause a drain upon the Bank, and an exportation of coin.

Although, therefore, an overissue of paper payable on demand be not indicated by any fall in its value, as compared with gold in the country in which it is issued, it is clearly indicated by a fall of the exchange, and an efflux of gold. The fact of the exchange being depressed, and of gold continuing, for any considerable period, to be demanded from the Bank and exported, is, independently of all other considerations, a conclusive proof that the currency is redundant or depreciated, as compared with the currency of other countries. In most instances such redundancy is occasioned by additional quantities of coin or paper having been brought into circulation; but this is not always the case. The demand for money differs at different periods. A currency susceptible neither of increase nor of diminution might be at one time in excess, and at another deficient, according to the varying state of credit and confidence in the country, and the nature of its commercial relations with foreigners. It is, therefore, of importance to bear in mind, that it is not by the absolute amount of the currency that any correct judgment can be formed whether it be in excess or not. At one time an issue of eighteen millions of Bank of England notes might probably be too great, while at another time, and under other circumstances, an issue of twenty or five and twenty millions might not be enough. The state of the exchange, or rather the influx and efflux of bullion, is the only safe and unerring test by which to judge when the currency is or is not at its proper level. If the exchange be generally on the advance, it is a proof that the currency of the country is becoming deficient, and that it may be slowly and cautiously enlarged, and conversely when it is falling. The directors of the Bank of England have sometimes involved themselves and the country in difficulties from their not being sufficiently aware of this principle. Observing the exchange to fall, and a drain for bullion to begin to operate on their coffers, when, perhaps their issues were not greater than usual, they have concluded that this drain originated in circumstances that had no connection with the amount of bank paper afloat, and that it would not be stopped by its contraction. But the previous statements show the fallacy of this notion. In the supposed case the currency has become redundant, not because it has been absolutely increased, but because a less quantity is sufficient for the purposes to which it is applied, and it has not been proportionally diminished

It is not always possible nor is it very often, indeed, of much importance, to point out the circumstances which render the same amount of currency that may be barely sufficient at one time redundant at another; but, whatever they may be, a fall of the exchange, and an efflux of bullion, show, beyond all question, that some of them are in operation, and that the currency is in excess. Bullion, like other commodities, is exported only when its exportation is profitable. It is never sent from England to France or America, unless it be more valuable in these countries than here. It is invariably, in fact, imported and exported to find, and never to destroy, its level. And how much soever opinions may vary with respect to the causes which occasion a redundancy of currency — whether it should be ascribed to an absolute increase of quantity, to an increase of credit or confidence, or to commercial speculations — the fact that the exchange has fallen, and that bullion is being exported, proves incontrovertibly that it is redundant; and that, consequently, the directors of the Bank of England should immediately set about contracting their issues, to prevent the exhaustion of their coffers, and to check that tendency to hazardous speculations which a redundant currency never fails to promote.

And this, in point of fact, is what the directors generally do. Being situated in London, the centre, as it were, of the pecuniary transactions of the empire, and the place at which all foreign bills are made payable, the Bank of England is instantly made aware of any fluctuation of the exchange; and there being no other establishment with which to divide the responsibility of providing bullion for exportation when the currency becomes redundant, her issues are usually governed by the state of the exchange; and it is most for the interest of the Bank, as well as of the public, that they should be so governed. But the vicious part of our currency is, that it is not supplied by one, but by hundreds of issuers, all actuated by conflicting views and interests. A paper currency should, if issued on right principles, always correspond with the standard, that is, it should vary in amount and value precisely as a gold currency would do, were the notes withdrawn and coins substituted in their stead. Now to insure this identity between paper and gold, and to avoid those fluctuations in the supply and value of money that are so very injurious, it is indispensable that the issue of notes should be regulated by the influx and efflux of bullion. But, with the single exception of the Bank of England, there is hardly another establishment for the issue of notes in the empire whose proceedings are at all influenced by a regard to the exchange. The joint stock banks and the private banks of England and Wales, whose joint issues amounted in August 1849 to nearly 6,000,000*l.* are wholly governed by their own separate estimates of what is most for their own interest. Variations of the exchange affect them only indirectly and remotely; and in regulating their issues they look only to the state of prices and credit among their customers. They cannot, indeed, be expected to act otherwise. Suppose that owing to any circumstance the currency becomes redundant, and that the Bank of England is, in consequence, obliged to contract her issues: in such a case the country bankers may, and some of them, no doubt, do see that they ought also to contract; but being a very numerous body, comprising several hundred establishments, scattered over all parts of the country, each is impressed with the well-founded conviction that all that he could do in the way of contraction would be next to imperceptible, and no one ever thinks of attempting it so long as he feels satisfied of the stability of those with whom he deals. On the contrary, every banker knows, were he to withdraw a portion of his issues, that some of his competitors would most likely embrace the opportunity of filling up the vacuum so created; and that, consequently, he should lose a portion of his business, without in any degree lessening the amount of paper afloat. Hence in nineteen out of twenty cases, the country banks go on increasing their aggregate issues long after the exchange has been notoriously against the country; and when, at last, they are compelled, because of the altered state of things in the metropolis, to pull up, the chances are ten to one that the contraction is carried to an improper extent. It seldom, indeed, occurs without destroying some of the country banks, and provoking a run on the others; and these are sure to be followed by a total derangement of credit, prices, and of all sorts of speculative engagements. We have had, and, had the former system been maintained, we should, no doubt, have continued to have, a constant alternation of glut and deficiency. At one time money was in excess, confidence blind and indiscriminating, and prices high; and at another time money was sure to be deficient, distrust universal, and prices low. It is not easy to exaggerate the evils inseparable from such alternations; they go far to convert industrious undertakings into mere gambling speculations; and render it impossible, even for the most prudent individuals engaged in business, to form at any time any distinct notion of what may be their state twelve months hence. The following statements will evince the truth of what has now been stated.

The first great destruction of bank paper

occasioned by a contraction of the currency consequent to its previous overissue, took place in 1792-3. Previously to 1759, the Bank of England had not issued any notes for less than 20*l.*: but having then commenced the issue of 10*l.* notes, its paper was gradually introduced into a wider circle, and the public became more habituated to its employment as money in their ordinary transactions. The distress and embarrassment that grew out of the American war proved exceedingly unfavourable to the formation of country banks, or of any establishments requiring unusual credit and confidence. No sooner, however, had peace been concluded than every thing assumed a new face. Agriculture and commerce, and especially manufactures, into which Sir Richard Arkwright's inventions had been lately introduced, immediately began to advance with a rapidity unknown at any former period; so that the public confidence which had been very much weakened by the disastrous events of the war, was soon fully re-established. The extended transactions of the country required fresh facilities for carrying them on; and, in consequence, a bank was erected in every market town, and almost in every village. The prudence, capital, and connections of the individuals who set up these establishments were but little attended to. The great object of a large class of traders was to obtain discounts; and the bankers of an inferior description were equally anxious to accommodate them. All sorts of paper were thus forced into circulation, and enjoyed nearly the same degree of esteem. The bankers, and those with whom they dealt, had the fullest reliance on each other. None seemed to suspect that there was any thing hollow or unsound in the system. Credit of every kind was strained to the utmost; and the available funds at the disposal of the bankers were reduced far below the level which the magnitude of their transactions required to render them secure.

The catastrophe which followed was such as might easily have been foreseen. The currency having become redundant, the exchanges took an unfavourable turn in the early part of 1792; and the Bank of England having been, in consequence, obliged to narrow her issues, a violent revulsion took place in the latter part of 1792 and the beginning of 1793. The failure of one or two great houses excited a panic which proved fatal to myriads more. When this revulsion began, there were, as already stated, about 350 country banks in England and Wales, of which about 100 were compelled to stop payment, and upwards of 50 were totally destroyed, producing by their fall an extent of misery and bankruptcy that had until then been unknown in England.

"In the general distress and dismay," says Mr. Macpherson, "every one looked upon his neighbour with caution, if not with suspicion. It was impossible to raise money upon the security of machinery, or shares of canals; for the value of such property seemed to be annihilated in the gloomy apprehension of the sinking state of the country, its commerce and manufactures: and those who had any money, not knowing where they could place it with safety, kept it unemployed and locked up in their coffers. Amidst the general calamity, the country banks, which had multiplied greatly beyond the demand of the country, for circulating paper currency, and whose eagerness to *push their notes into circulation* had laid the foundation of their own misfortunes, were among the greatest sufferers, and, consequently, among the greatest spreaders of distress and ruin among those connected with them; and they were also the chief cause of the drain of cash from the Bank of England, exceeding any demand of the kind for about ten years back. Of these banks, above one hundred failed, whereof there were twelve in Yorkshire, seven in Northumberland, seven in Lincolnshire, six in Sussex, five in Lancashire, four in Northamptonshire, four in Somersetshire," &c.[1]

Attempts have sometimes been made to show that this crisis was not really occasioned by an excess of paper having been forced into circulation, but by the agitation caused by the war then on the eve of breaking out. But there do not seem to be any good grounds for this opinion. The unerring symptoms of an overflow of paper — a fall of the exchange, and an efflux of bullion—exhibited themselves early in 1792, or about twelve months before the breaking out of hostilities. Mr. Chalmers states that none of the great houses that failed during this crisis had sustained any damage from the war.[2] The efforts of the country bankers to force their paper into circulation occasioned the redundancy of the currency; and it was on them, and the country traders and dealers dependent on them, that the violence of the storm chiefly fell. "And this circumstance is alone sufficient to show, that the cause of our commercial maladies arose at home without infection from abroad; that it arose from the fulness of peace, without the misfortunes of war."[3]

It is of importance to remark, inasmuch as it illustrates some of the principles that have been already, and some that will hereafter be laid down, that antecedently to this crisis the Bank of England had no notes for less than 10*l.* nor the country banks for less than 5*l.* in circulation. The issue of low notes

[1] Annals of Commerce, vol. iv. pp. 266-7.
[2] Comparative Estimate, &c. p. 226. ed. 1812.
[3] Ibid., p. 228.

had indeed been expressly forbidden by repeated acts of parliament; and it was perhaps supposed that this limitation of their value would prevent them from being issued in excess, and driving gold coin from circulation. But if such notions were really entertained, the result showed their fallacy. The ease with which supplies of paper were procured from the country bankers, occasioned its employment in an immense number of transactions previously carried on by means of specie; and ultimately occasioned that overflow of the currency and fall of the exchange which led to the crisis.

The next, and certainly the most important, crisis in the history of the paper currency of Great Britain took place in 1797. Owing partly to events connected with the war in which we were then engaged, to loans to the emperor of Germany, to bills drawn on the treasury by the British agents abroad, and partly and chiefly, perhaps, to the large advances made by the Bank of England to government, the exchange became unfavourable in 1795, and in that and the following year large quantities of specie were demanded from the Bank. No doubt, however, the ultimate crisis was wholly owing to political causes. Alarms with respect to invasion, and reports of descents said to have been made on the coast, became exceedingly prevalent in the latter part of 1796 and the beginning of 1797. This produced a strong desire among many individuals, but chiefly among the small farmers and retail dealers, to convert as much as possible of their property into cash. Heavy runs were in consequence made upon most country banks; and the bankruptcy of some of these establishments at Newcastle and other parts of the country gave additional force to the previous panic. Demands for supplies of cash poured in upon the Bank of England from all parts of the country; and the stock of coin and bullion in her coffers, which had amounted to 7,940,000*l.* in March 1795, was reduced on Saturday the 25th of February 1797, to 1,272,000*l.* with every prospect of a violent run taking place on the following Monday. In this emergency, a meeting of the Privy Council was held, when it was resolved to *suspend payments in cash at the Bank* until the sense of parliament could be taken on the matter; and an order in council to that effect was issued on Sunday the 26th of February 1797.

A great diversity of opinion has been entertained with respect to the policy of this interposition. But although the question be by no means free from difficulty, we cannot help thinking that the circumstances under which the suspension took place made it expedient and salutary. The run was not one that could be checked by ordinary measures. It did not originate in commercial causes, or in an excess of paper, but in the fears and apprehensions caused by alarms of invasion. It was clear, too, that so long as these alarms continued, no paper convertible into gold could continue in circulation. And as the Bank was without the means of immediately converting her capital into cash, her downfall, and that of the different country banks, who all depend on her for supplies of bullion in any emergency, would most probably have taken place but for the interference of government. The crisis was confessedly one of great danger, and required to be promptly dealt with. Had the Bank of England and the country banks been forced to stop payments, every sort of credit and confidence would have been destroyed; and it is impossible to estimate the effect of the shock that must in consequence have been experienced. Under any circumstances, the sudden and total destruction of bank paper would be attended with the most pernicious results; and had such an event occurred during war, and in a period of great danger and difficulty, it might, perhaps, have been productive either of a public bankruptcy, or of some serious convulsion.

For these reasons it would seem that government were not justified only, but called upon to interfere, to protect the Bank from the panic caused by the apprehension of invasion. The really objectionable part of their conduct consisted in their continuing the restriction after the alarms that had brought on the crisis had completely subsided, when the confidence of the public in the stability of the Bank had been fully restored, and there was no longer any thing to fear from a return to cash payments. Various motives have been assigned for this conduct; but ill-founded apprehensions as to a recurrence of the run, and the facilities which the restriction gave the Bank of making large advances to government, without subjecting herself to a drain for bullion, through a fall of the exchange, were most probably the chief causes of its being continued. Much opposition was made to the measure in parliament, but without effect; and after repeated discussions the restriction was ultimately prolonged for an indefinite period, or until six months after the signature of a definitive treaty of peace.

As soon as the suspension took place, the principle merchants, bankers, and traders of London, subscribed a resolution expressive of their readiness to accept Bank of England notes, and pledging themselves to use their endeavours to make them be accepted by others. This resolution, taken in connection with the official statement of the affairs of the Bank, that was soon after published, and the employment of her

notes in all payments by and to government prevented any interruption of their circulation. And owing to the moderation with which they were issued, they continued, as already stated, for upwards of three years, to be fully equivalent to gold.

The first fall in the value of bank paper, as compared with gold, began in the latter part of 1800. The deficient harvest of that year caused a considerable exportation of the precious metals; but instead of contracting their issues, as they ought to have done had they acted on sound principles, and as they would have been obliged to do had they been paying in coin, the directors added to the quantity of their notes afloat, and the consequence was that they fell to a discount of about 8 per cent. as compared with gold. But they soon after recovered their value; and from 1803 to 1808, both inclusive, they were only at a discount of 2*l.* 13*s.* 3*d.* per cent. In 1809 and 1810, however, the directors seem to have lost sight of every principle by which their issues had previously been governed. The average quantity of bank notes in circulation, which had never exceeded 17½ millions, nor fallen short of 16½ millions in any one year, from 1802 to 1808, both inclusive, was in 1809, raised to 18,927,833*l.* and in 1810, to 22,541; 523*l.* The issues of country bank paper were increased in a still greater proportion; and, as there was no corresponding increase in the business of the country, the discount on bank notes rose from 2*l.* 13*s.* 2*d.* in the early part of 1809, to 13*l.* 9*s.* 6*d.* in 1810. This extraordinary fall in the value of paper as compared with gold, accompanied as it was by an equal fall of the exchange, excited a good deal of attention; and in February 1810 a committee of the House of Commons was appointed to inquire into the cause of the high price of gold bullion, and the state of the exchange. The committee examined several merchants and bankers; and their report drawn up principally by Mr Francis Horner, contains an able refutation of the statements and doctrines advanced by those who contended that the fall of the exchange and the high price of bullion were wholly ascribable to our large foreign expenditure, and the peculiar state of our relations with other powers, and were in no degree owing to the additional quantities of paper that had been engrossed into the circulation. But the House of Commons refused to sanction the recommendation of the committee, that the Bank should resume cash payments in two years. And in May 1811, when guineas were currently bought at a premium, and bank notes were at an open discount of above 10 per cent. as compared with gold bullion, the House of Commons agreed, by a large majority, to a resolution proposed by Mr. Vansittart, (now Lord Bexley) declaring, that the promissory notes of the Bank of England had hitherto been, and were *at that time* held to be, in the public estimation, equivalent to the legal coin of the realm!

This extraordinary resolution — a resolution which, setting common sense at defiance, took for granted that things *not* equal to the same thing were notwithstanding equal to each other — relieved the Bank directors from all uneasiness with respect to the interference of parliament, and encouraged them to increase the number of their notes in circulation. The issues of the country banks were increased still more rapidly than those of the Bank of England. The facility of obtaining discounts was such, that individuals who could barely afford to buy a stamp for a bill very frequently succeeded in obtaining the command of large capitals, and, as they had nothing of their own to lose, boldly adventured upon the most hazardous speculations. Mr. Wakefield, whose employment in the management of estates in all parts of the country gave him the most favourable opportunities for acquiring correct information, informed the Agricultural Committee of 1821, that "down to the year 1813 there were banks in almost all parts of England, forcing their paper *into* circulation at an enormous expense to themselves, and, in most instances, to their own ruin. There were bankers who gave commission, and who sent persons to the markets to take up the notes of other banks; these people were called money-changers, and commission was paid them."[1] And among the various answers to the queries sent by the Board of Agriculture in 1816 to the most intelligent persons in different districts of the country, there is hardly one in which the excessive issue of country bank paper is not particularly mentioned as one of the main causes of the unprecedented rise of rents and prices previously to 1814.

The price of corn had risen to an extraordinary height during the five years ending with 1813. But owing partly to the luxuriant crop of that year, and partly and chiefly, perhaps, to the opening of the Dutch ports, and the renewed intercourse with the Continent, prices sustained a very heavy fall in the latter part of 1813 and the beginning of 1814. And this fall having produced a want of confidence and an alarm amongst the country bankers and their customers, occasioned such a destruction of country paper as has not been paralleled, except only by the revulsion of 1825. In 1814, 1815, and 1816, no fewer than 240 country banks stopped payments, and *eighty-nine* commissions of bankruptcy were issued against these establishments, being at the rate of *one* commission against every *ten and a half* of the total

[1] Report, p. 213.

number of country banks in 1813! The failures that then occurred were the more distressing, as they chiefly affected the industrious classes, frequently swallowing up in an instant the fruits of a long life of laborious exertion. Thousands upon thousands, who had, in 1812, considered themselves affluent, found they were destitute of all real property; and sunk, as if by enchantment, and without any fault of their own, into the abyss of poverty! Mr. Francis Horner, the accuracy and extent of whose information on such subjects will not be disputed, stated, in his place in the House of Commons, that the destruction of country bank paper in 1815 and 1816 had given rise to a universality of wretchedness and misery, which had never been equalled, except perhaps, by the breaking up of the Mississippi scheme in France.

Had the country banks been established on solid foundations, or had they possessed capital equal to the extent of their business, the fall of prices that took place in the latter part of 1813 and in 1814, would have done comparatively little injury. Had such been the case, the bankers would have been able to withdraw a portion of their notes from circulation, and to bear any losses that might have been entailed on them by the difficulties in which the agriculturists were so suddenly involved. Unluckily, however, most country bankers had, in their eagerness to push their notes into circulation, left themselves without the means of meeting any emergency. And their fall, by generating suspicions as to the stability of others, had exactly the same effects as were produced by the early failures in 1793. It occasioned a want of confidence and a run upon most of the other banks; so that what would otherwise have been a mere decline in the price of agricultural produce, affecting only the agriculturists and their dependents, was, in consequence of the insecurity of the provincial banks, changed into a revulsion that spread bankruptcy over the whole kingdom.

The destruction of country bank paper in 1814, 1815, and 1816, by greatly reducing the total amount of the currency, raised its value, in 1816, almost to a par with gold. And this rise having materially facilitated a return to cash payments, and ample experience having been had of the deeply injurious consequences of fluctuations in the value of money, a conviction began to be pretty generally entertained of the expediency of repealing the restriction on cash payments at the Bank of England. This was effected in 1819, by the act 59 Geo. III. cap. 78., commonly called Peel's bill, from its having been introduced and carried through the House of Commons by Sir Robert Peel.

The policy of this act, or rather of that part of it which enacted that cash payments should be resumed at the old standard, has been much questioned. We are satisfied, however, that it was a wise and politic measure; and that it has not had the injurious consequences attributed to it. The destruction of country bank paper had, as already seen, raised the value of the currency to within about 3 per cent. of the standard; so that the act of 1819 did little more than maintain the currency at the elevation to which it had been raised by accidental circumstances. It had, moreover, been declared by the legislature, that cash payments were to be resumed at the end of the war; and it would have required very strong reasons to have justified a departure from this pledge, and from the ancient standard of the country. The objectors to the measure contend, indeed, that it has been most injurious: they argue that instead of 3 or 4 per cent., the difference between gold and paper at the time, the measure really added from 25 to 30 per cent. or more to the value of the currency; and they appeal in proof of this extraordinary assertion to the fall that has taken place in the price of corn, colonial produce, and most other articles since 1819. But it has been shown over and over again, that this statement is wholly fallacious: corn and other articles have fallen in price, not because money rose in value, but because the cost of their production has been diminished by the introduction of improved processes into their manufacture, the abolition of monopolies, and the opening of new and cheaper markets. It is, in fact, impossible to point out a single article that has sunk in price since 1819, the fall of which may not be completely accounted for by circumstances connected with its production, or supply, and having no reference whatever to the value of money. If we suppose that the act of 1819 added 5 per cent. to the value of the currency, we shall not be within but beyond the mark.

We observed in 1848, "that, admitting the act of 1819 had some of the mischievous consequences ascribed to it, that would add nothing to the plea of those who are urging its repeal. The restored standard has now been maintained for fully thirty years; and ninety-nine out of every hundred of the existing contracts have been entered into with reference to it. To set it aside would not be to repair former injustice, if such were committed, but to commit it afresh — to perpetrate an abuse in 1848 for no better reason than that it is alleged that a similar abuse had been perpetrated in 1819! So long as there is either common sense or common honesty in parliament, we are pretty secure against an attempt of this sort succeeding.

It may justly excite astonishment, that notwithstanding every one who ever gave the least attention to the subject must have been aware that the bankruptcy and distress which overspread the country in 1793, and in 1814, 1815, and 1816, had been mainly occasioned by the defects incident to the system of country banking, no steps were taken in 1819, when the restriction on cash payments was set aside, to have it remodelled and placed on a more solid foundation. Nations are slow and reluctant learners; and it seems that additional experience was necessary to convince the parliament and people of England that there was any thing defective in a system which in two previous instances had deluged the country with bankruptcy; and which enabled every individual, however poor or unprincipled, who chose to dub himself banker, to issue notes to serve as currency in the ordinary transactions of society! The crisis that occurred in 1825–26 was the natural result of this state of things, and might have been anticipated by every one acquainted either with the principles on which the business of banking ought to be conducted or with its previous history in this country.

The prices of corn and other agricultural products, which had been greatly depressed in consequence of abundant harvests in 1820, 1821, and 1822, rallied in 1823; and the country bankers, true to their invariable practice on similar occasions, immediately began to enlarge their issues. It is unnecessary to inquire into the circumstances which conspired, along with the rise of prices, to promote the extraordinary rage for speculation exhibited in 1824 and 1825. It is sufficient to observe, that in consequence of their operation, confidence was very soon carried to the greatest height. It did not seem to be supposed that any scheme could be hazardous, much less wild or extravagant. The infatuation was such, that even considerate persons did not scruple to embark in the most visionary and absurd projects; while the extreme facility with which discounts were procured upon bills at long dates, afforded the means of carrying on every sort of undertaking. The most worthless paper was readily negotiated. Many of the country bankers seemed, indeed, to have no other object than to get themselves indebted to the public. And such was the vigour and success of their efforts to force their paper into circulation, that the amount of it afloat in 1825 is estimated to have been nearly 50 per cent. greater than in 1823.

The consequences of this absurd and unprincipled conduct are well known. The currency having become redundant, the exchange began to decline in the summer of 1824. But the Bank of England having entered, in the early part of that year, into an engagement with government, to pay such holders of 4 per cent. stock as might dissent from its conversion into a 3½ per cent. stock, was obliged to advance a considerable sum on this account, after the depression of the exchange. This tended to counteract the effect of the drain on the Bank for gold; and in consequence the currency of London was not very materially diminished till September 1825. At length, however, the continued demand of the public on the Bank for gold, having narrowed her issues, the pressure was not long after felt in the country, where every sort of wild and ridiculous project had been carried to an almost inconceivable excess. The events of 1792-93 were forthwith repeated on a larger and more magnificent scale, and with more destructive consequences. The country banks began to give way the moment they experienced an increased difficulty of obtaining accommodation in London; and all confidence and credit were immediately at an end. Suspicion having awakened from her trance, there were no longer any limits to the run. Paper was not carried to the banks to obtain gold, in the view of exporting it as a mercantile adventure to the Continent, but for the purpose of escaping the loss which it became obvious a large proportion of the holders of country notes would have to sustain. *Sauve qui peut* was the universal cry. And the destruction of country paper was so sudden and excessive, that in less than six weeks above seventy banking establishments were swept off, and a vacuum was created in the currency, which absorbed from *eight* to *ten millions* of additional issues by the Bank of England; at the same time that myriads of those private bills that had previously served to swell the amount of the currency, and the machinery of speculation, were wholly destroyed.

These occurrences at length convinced parliament and the public of what they should have been satisfied of long before, that the system of private banking in England and Wales was in the last degree weak and vicious, and that it was imperatively necessary it should be strengthened and reformed. In this view the act of 1708, limiting the number of partners in banks to six, was repealed with consent of the Bank of England; and leave was given to establish joint stock banks, or banks with any number of partners, for the issue of notes payable any where beyond sixty-five miles from London; joint stock banks for deposit only, or for taking care of the money of their customers being, at the same time, allowed to be established in London. After the restriction on cash payments, in 1797, the Bank of England began, for the first time, to issue one pound notes, in which practice

she was immediately followed by the greater number of the country banks. The former withdrew her one pound notes soon after the resumption of specie payments in 1821; but the one pound notes of the country banks still continued to circulate, and formed one of the principal channels by which they got their paper into circulation. In 1826, however, the circulation of one pound-notes was finally prohibited, after a certain specified period, in England and Wales; and since 1829 no notes for less than five pounds have been allowed to be issued.

The last of these remedial measures, or the suppression of one pound notes, shut up one of the easiest and safest outlets by which the inferior class of country bankers previously contrived to get their paper into circulation; and was in so far advantageous. But a variety of other channels were still open to them; and the example of 1792–93, when there were no notes for less than five pounds in circulation, shows conclusively that the mere suppression of one pound notes affords no security whatever against over-issue, panics, and all but universal bankruptcy.

It was, however, from the other measure, or that authorising the establishment of joint stock banks, or banks with more than six partners, that most benefit was expected to be derived. But, though it would be going too far to say that these expectations have been wholly disappointed, it is at all events true that they have been very imperfectly realised. It might, indeed, have been, and in fact was, predicted at the outset, that the mere institution of joint stock banks would not afford any effectual remedy for the evils previously inherent in our pecuniary system. A bank with 5, 50, or 500 partners may not be entitled to more credit than a bank with five or six, nor, perhaps, even to so much. The wealth of the partners in a private bank may exceed that of the partners in an extensive joint stock bank; and the probability is that the affairs of the private bank, being conducted by the parties themselves, will be more prudently and economically managed than those of a great joint stock bank, which must necessarily be committed to agents, over whom a very ineffectual control is frequently exercised. There cannot be a greater error than to suppose that because a bank has a great number of partners, it is therefore entitled to the public confidence. That should depend partly on their wealth and partly on their intelligence, but not on their number. Wealth alone, though indispensable, gives no security that the business of banking will be judiciously managed, or that the issues of paper will be governed by the exchange. The joint stock banks attend quite as little, or, if that be possible, even less than the private banks, to this criterion. It is, in fact, the greatest imaginable error to suppose that it is possible to get rid of fluctuations in the amount and value of money, while it is supplied by different issuers. The formation of joint stock banks was at best a feeble palliative of inveterate disorders. It was quite illusory to expect to make any real improvement upon the system of country banking in England, by the mere introduction of a plan for allowing banking establishments with large capitals to be set on foot. There had always been, and were at the moment, a great number of such establishments in England. What was really wanted was the adoption of a system that should exclude the possibility of notes being depreciated from excess, and that should also prevent their being discredited by preventing their issue by questionable parties.

A great deal of misconception is afloat in regard to the stability of joint stock banks. Unless they happen to be managed with the greatest care and discretion, they are hazardous alike to their proprietors and to those who deal with them. The shares in the greater number of these establishments are very small, few being above 100*l.*; while others are only 50*l.*, and some not more than 10*l.* Generally, too, it is understood, or rather it is distinctly set forth in the prospectuses, that not more than 5, 10, or 20 per cent. of these shares is to be called for; so that an individual who has 5*l.* or 10*l.* to spare may become a shareholder in a bank. And owing to a practice, or rather a flagrant abuse, introduced into the management of various banks, by which they make large advances or discounts on the credit of the stock held by the shareholders, not a few individuals in doubtful or even desperate circumstances, take shares in them in the view of obtaining loans and bolstering up their credit! The great danger arising from such banks is obvious; and when one of them stops payment, the chances are, supposing the claims on it to be ultimately made good, that they will be so at the cost and perhaps ruin of such of its proprietors as are wealthy, and have abstained from the abusive practices resorted to by others. That such is the case is proved by the circumstances attending the downfal of the Bank of Manchester, the Bank of Liverpool, the Union Bank of Calcutta, &c. Each of the establishments now specified enjoyed unlimited credit, and had a very large paid up capital, which was wholly lost, and many of the shareholders involved in total ruin, before they were at all aware that their circumstances were other than flourishing! One cannot, indeed, help being astonished at the recklessness with which, in the face of such warnings, people possessed of property embark in such establishments.

The truth, however, is, that though there had been nothing objectionable in the constitution of joint stock and private banks of

issue, and though their solidity and the prudence of their managers had been undoubted, they must, notwithstanding, in the ordinary conduct of their business, have occasioned those destructive fluctuations in the amount and value of money that are of the essence of a currency freely supplied by different parties. Not being directly or speedily affected by variations of the exchange, they pay little or no attention to them; and it is accordingly found that the issues of the superior as well as those of the inferior banks are uniformly, except in periods of distress and panic, governed by the state of prices and of credit at the moment, or by the demands of those for discounts who have sufficient security to offer. The influx and efflux of gold to and from London, is, however, the only criterion by which to determine the amount of paper afloat; and it can never be safely lost sight of even for the shortest period. Were one body only intrusted with the issue of paper, it would be able immediately to narrow the currency when bullion began to be exported; and to expand it when it began to be imported; and it would be easy to lay down and make it observe such regulations as would effectually prevent fluctuations in the amount and value of money ever exceeding those that would take place were it wholly metallic. The currency must always be in an unsound and vitiated state when this identity between it and the standard is not fully established. But it is plain that nothing could be attempted to make them correspond so long as paper was freely supplied by a multiplicity of issuers. Every thing was then necessarily left to the discretion of the parties. And it has frequently happened that some of them were increasing their issues when they should have been diminished, and diminishing them when they should have been increased.

It has been doubted whether it would be practicable, even on the supposition that there were only one issuer, to make the issues depend wholly on the influx and efflux of bullion: but nothing could be more facile. Suppose that local notes are withdrawn, and that paper is only issued by one office in London: under these circumstances nothing would be necessary to maintain an identity at all times and value between the paper afloat and the gold that would circulate in its stead were it withdrawn, but to restrict the business of the issuers to the exchange of gold for paper, and of paper for gold, according to the wants of the public; for this purpose it should be laid down as an inviolable rule that paper should in no case be issued except when it is paid away for an equivalent amount of gold or other bullion to the office; and withdrawn except when it is exchanged for an equivalent amount of gold or other bullion from the office. The business of the issuers would be one of mere routine; they would have no sort of discretion; and would be without the power, even if they desired, of turning from the well-defined path of duty. An office confined to the mere exchange of paper and gold at the pleasure of the public must not be confounded with a national bank, or with an establishment for the issue of paper in payment of the dividends on the public debt, the discount of bills, &c. It has been objected to the latter that it would become a focus of intrigue and jobbing; that it would be perverted from its legitimate objects, and prostituted for the advancement of party purposes. It would be too much to say that such must be the inevitable result of the formation of a national bank, but it is one that might be realised; and whether such were actually the case, it would very likely be believed by the public. Fluctuations in the prices of funded property and commodities would be ascribed to the improper management of the national bank; and parties refused discounts would, in all cases, lay the blame to political considerations, and would represent themselves as injured or ruined by them. No government would choose to encounter the obloquy necessarily arising from being connected with such an establishment. A national bank for transacting ordinary banking business would be neither more nor less than a national nuisance that would very soon have to be abated. But were it confined, as it should be, to the issue of paper on the principle and in the way previously described, it could not be perverted to any sort of sinister purpose. Its conductors would be confined to a sort of mill-horse path; and it would be impossible for them, however willing, to show favour or partiality to any one. All would depend on what has been called the "cast iron principle of notes for gold and gold for notes;" and the amount and value of the paper currency would at all times be equal to the amount and value of the bullion that would circulate in its stead were it withdrawn.

A great deal of fictitious importance has been attached to the power to make local issues. In Scotland, indeed, where the use of gold coins has been for a century all but wholly unknown, and where all payments of 20s. and upwards are made in paper, the issue of local notes has some peculiar advantages. But even there it is of less consequence than is commonly supposed. The expense of the stamp, of engraving, and of keeping up establishments for the issue and receipt of the notes, cut deep into the gains made by them, which are now still further reduced by its being necessary for the issuers to keep a larger supply of coin in their cellars in consequence of the returns required by the Act 7th and 8th Vict. c. 32. In England, where paper has never attained to anything like the popularity it has done in Scotland, and where gold coins are used in most payments between

1*l.* and 5*l.* the privilege of issuing local notes is of much less importance. In proof of this it may suffice to mention that during the last twenty years various joint-stock and private banks that formerly issued notes of their own have withdrawn them from circulation, and have supplied their place with notes of the Bank of England, under an agreement made with the latter. But it is almost needless to say that the banks now referred to would not have done this had the suppression of their issues made any serious inroad on their profits. It may, therefore, be concluded, on the surest grounds, that the issue of local notes is of comparatively little consequence. And though the public prejudice in its favour would not admit of the privilege being wholly abolished, the circumstances now mentioned show that the restraints laid on its exercise by the Act of 1844 (see *post*) have imposed no considerable hardship on the issuers.

It has been objected to any interference with the notes issued by private bankers, or banking companies, that it is an unwarrantable violation of the freedom of industry. But those who carry the principle of freedom to its farthest extent do not contend that there should be no regulations of any sort—that government may not properly prevent the adoption of any system that must plainly lead to embarrassment in conducting the ordinary business of society, or that it should not prevent such frauds as may be easily practised, and cannot be easily obviated except by its means. No doubt has ever been insinuated with respect to the expediency of the regulations by which all weights and measures of the same denominations are rendered equal. But money is not a mere commodity; it is also the standard or measure by which to estimate and compare the value of every thing else that is bought and sold; and if it be, as it undoubtedly is, the duty of government to adopt every practicable means for rendering all foot-rules of the same length, and all bushels of the same capacity, it is still more incumbent upon it to omit nothing that may serve to render money, or the measure of value—a measure which is undoubtedly of the greatest importance—uniform or steady in its value.

But it has been said that though coins be legal tender, notes are not; and that, as every one who suspects the latter may reject them, there is no ground for the interference of the legislature! But the truth is, that whatever notes may be in law, they are, in most parts of the country, practically, and in fact legal tender. The great mass of the people have no power to refuse them. The currency of many extensive districts consists almost entirely of country notes; and such small farmers, tradesmen, or labourers, as should refuse to take them, would be obliged to migrate elsewhere. There cannot, therefore, be a doubt that this is a case in which government is justified in interfering. We have sustained incomparably more mischief from the issue of spurious paper than from that of base coin; and to obviate such mischief in future, it is proper either to suppress local issues, or so to deal with them that the public may be secured against loss.

It has been proposed, to avert or lessen the risk of loss by their proceedings, that banks of issue should be compelled to give security for their notes, an arrangement which would, no doubt, be in several respects advantageous. It was, however, objected to it that the exacting securities for their issues would make an unfair distinction between the creditors of a bank who held its notes and those who had deposited money in its coffers. But this objection is as futile as can well be imagined. It is the duty of government to take care that the value of the currency be as invariable as possible —that a pound note be always the exact equivalent of the sovereign it professes to represent: but it has never been pretended that it is any part of its duty to inquire into the security given by the borrowers to the lenders of money, any more than into the security given by the borrowers to the lenders of anything else. This is a matter as to which individuals are fully competent to judge for themselves; and there neither is nor can be any reason why a lender or depositor of gold, silver, or notes, should be more protected than a lender or depositor of timber, brick, or coal. Money being the standard or measure of value, government is bound to take effectual precautions that every separate piece shall truly correspond with that denomination of the standard which it represents; that a sovereign, for example, shall be always of the proper purity and weight, and that a note which professes to be worth twenty shillings, shall never fall to nineteen shillings, ten shillings, or nothing. But this is *all* that government is called upon to do. If A. trust a sum of money in the hands of B. it is the affair of the parties and of none else. Provided the money correspond with the standard it is of no importance in a public point of view into whose hands it may come. The bankruptcy of a deposit bank, like that of a private individual who has borrowed largely, may be productive of much loss and inconvenience to its creditors. But provided the paper in circulation be equivalent to gold, such bankruptcies cannot affect either the quantity or the value of money; and can therefore be injurious only to the parties concerned.[1]

Still, however, it must be observed that the taking of security for notes is not of itself capable of placing the currency on a proper footing. It would obviate all risk of ultimate loss from the circulation of worthless paper, and would, in so far, be advantageous. But it would not prevent the stoppage of banks, and the serious loss that might result to the holders of their notes, from their not being negotiable, except at a discount, during the period required to realize the securities on

[1] For some farther illustrations of this principle, see Ricardo's Works, p. 408, ed. 1846.

which they had been issued; nor would it prevent that competition among the issuers of paper, and those constantly recurring periods of glut and deficiency of money, which it has been seen are inseparable from a currency freely supplied by various issuers. A paper currency is not in a sound or wholesome state, unless, first, means be taken to ensure that each particular note or parcel of such currency be paid immediately on demand; and unless, second, the whole currency vary in amount and value exactly as a metallic currency would do were the paper currency withdrawn and coins substituted in its stead. The last condition is quite as indispensable to a well-established currency as the former; and it is one that it is impossible wholly to realize otherwise than by confining the issue of paper to a single source.

It has sometimes been objected to all interference with the issue of notes payable on demand, that they really form but a portion, and that far from being the largest, of the currency; that the greater part of it consists of bills of exchange payable sometime after date; and that as these bills can neither be suppressed nor interfered with, it is of comparatively little consequence what is done with the notes payable on demand. But this is a most fallacious representation. It is true, indeed, that there are several points in which an internal bill of exchange and a bank note exactly resemble each other; but there are many more in which there is a distinct and material difference between them.

A note bears to be payable on demand; it is not indorsed by a holder on his paying it away to another; the party receiving has no claim on the party from whom he received it, in the event of the failure of the bank;[1] and every one is thus encouraged, reckoning on the facility of passing it to another, to accept bank paper "even though he should doubt the ultimate solvency of the issuers."[2] Bills, on the contrary, are almost all drawn payable at some distant period; and those into whose hands they come, if they be not in want of money, prefer retaining them in their possession to get the interest accruing upon them. But the principal distinction between notes and bills is, that every individual in passing a bill to another has to indorse it, and by doing so makes himself responsible for its payment. "A bill circulates," says Mr. Thornton, "in consequence chiefly of the *confidence placed by each receiver of it in the last indorser*, his own correspondent in trade; whereas the circulation of a bank note is owing rather to the circumstance of the name of the issuer being so well known, as to give it an *universal* credit."[1] Nothing, then, can be more inaccurate than to represent bills and notes in the same point of view. If A. pay to B. 100*l.* in satisfaction of a debt, there is an end of the transaction; but if A. pay to B. a bill of exchange for 100*l.* the transaction is not complete; and in the event of the bill not being paid by the person on whom it is drawn, B. will have recourse upon A. for its value. It is clear, therefore, that a great deal more consideration is always required, and it may be fairly presumed is given, before any one accepts a bill of exchange in payment, than before he accepts a bank note. The note is payable on the instant without deduction—the bill not until some future period; the note may be passed to another without incurring any risk or responsibility, while every fresh issuer of the bill makes himself responsible for its value. Notes form the currency of all classes—not only of those who are but also of those who are not engaged in business, as women, children, labourers, &c., who in most instances are without the power to refuse them and without the means of forming any correct conclusion as to the solvency of the issuers. Bills, on the other hand, pass only, with very few exceptions, among persons engaged in business, who are fully aware of the risk they run in taking them. There is plainly, therefore, a wide and obvious distinction between the two species of currency; and it is illogical to contend, that because government interferes to regulate the issue of the one it should also regulate that of the other.

A redundancy of the currency, and that depression of the exchange to which it necessarily leads, are usually brought about through the too ready discount of bills; and so long as the discounters were authorized to issue their own notes, and to increase their quantity with no check other than the contingent liability to pay them in coin or Bank of England notes, they were naturally lavish of their accommodations in periods of excitement, and when prices were rising. But the obligation either to use notes issued from one source, and identical in amount and value with gold, or the inability to increase their issues without previously increasing their securities, would have given a formidable check to improvident discounting; and the amount of bills as well as of notes would have been well-nigh confined within those limits which they can never exceed without, in the end, producing a revulsion.

SECTION V.

Measures adopted in 1844 *for the improvement of the Paper Currency—Suspensions of the Act of that year in* 1847 *and* 1857—*Banking in Scotland and Ireland—Tables.*

DESPITE the objections to which, as now seen, the system established in 1826 was so very open, none of the suggestions made for its improvement were adopted. Its defects were

[1] Practically speaking, the statement in the text is true; but a person paying away a bank note is liable to be called upon for repayment, should the bank fail before it was in the power of the person to whom it was paid, using ordinary diligence, to present it. This responsibility seldom extends to more than a couple of hours; and can hardly, in any case, extend to a couple of days. In practice it is never adverted to.

[2] Thornton on Paper Credit, p. 172.

[1] Thornton on Paper Credit, p. 40.

in consequence fully developed during the period from 1836 to 1840. It is needless to enter into any inquiry regarding the circumstances which led to the overtrading of 1836-37; but it was carried to a very great extent both here and in the United States. In nothing was this more strikingly evinced, than in the rapid increase of joint-stock banks; their number, which, in 1834-35, had amounted to 55, having increased in 1835-36 to 100; and this increase, vast as it is, does not fully exhibit the real extension of the system. By far the greater number of these banks had numerous branches, many of them at great distances from the head office, at which all sorts of banking business were transacted; and supposing there were four or five such branches to each parent bank (which is a low estimate) it really appears that from 180 to 200 joint-stock banking offices were opened in 1835-36! It is true, no doubt, that the number of private banks underwent, at the same time, a considerable diminution, by their being either given up or merged in joint-stock associations. But these were mostly very inferior concerns; and the extension of the joint-stock system was out of all comparison greater than the contraction of the other. In consequence of the very large additions that the opening of so many new banks suddenly made to the number of notes afloat, and still more to the number of bills, checks, and other substitutes for money, the currency became redundant, and the exchange depressed; and the deficient harvests of 1838 and 1839 conspiring with this redundancy, occasioned a farther fall in the exchange, and a severe drain upon the Bank of England for gold. But while the latter was narrowing her issues by supplying the exporters of bullion with gold in exchange for notes, the country banks went on increasing their issues! What the former did by contracting, on the one hand, the latter more than undid by letting out on the other. The vacuum created by the withdrawal of Bank of England paper was immediately filled up and made to overflow by the issue of a more than equal amount of country paper; so that, had it not been for the rise in the rate of interest, and the other repressive measures adopted by the bank, the probability is, she might have gone on paying away bullion for notes till she had been drained of her last sixpence, without in any degree affecting the exchange; and as it was, the bullion in her coffers in August 1839 was reduced to 2,420,000*l.*, so that we narrowly escaped a tremendous crisis.

This perilous experience having again forcibly attracted the public attention to the state of our banking system, Sir Robert Peel was induced to attempt its improvement. The clause in the Act 3 & 4 Will. 4. c. 98, which renewed the charter in 1833, gave to Parliament power to revise or cancel it in 1845, and thus afforded a legitimate opportunity for the introduction of the new system. But, however desirable, the total suppression of the issue of notes by joint-stock and private banking companies would have been a measure too much opposed to popular prejudices, and to the real or supposed interests of a large and powerful class, to have had any chance of being carried; and there were also great, though inferior, difficulties in the way of the plan for taking security from the issuers. It was indeed indispensable, in attempting to obviate the defects inherent in our banking system, to proceed cautiously, to respect, in as far as possible, existing interests, and to avoid taking any step that might excite the fears or suspicions of the public; the grand difficulty being to reconcile the introduction of such a course with the adoption of any plan that would remedy in any considerable degree the defects complained of. Happily this difficult problem was satisfactorily solved by Sir Robert Peel; the measures he introduced and carried through Parliament in 1844 and 1845, for the improvement of our banking system, having been so skilfully contrived as to provoke little opposition, at the same time that they effected very extensive and most beneficial changes.

The measures in question consisted of the Act 7 & 8 Vict. c. 32, which refers to the Bank of England and the English country banks; and the Acts 8 & 9 Vict. c. 38, 37, referring to the banks of Scotland and Ireland. These statutes were intended to obviate the chances of over-issue and of sudden fluctuations in the quantity and value of money, by limiting the power to issue notes payable on demand, and by making the amount of such notes in circulation vary more nearly than previously with the amount of bullion in the possession of the issuers. Sir Robert Peel adopted, in dealing with the Bank of England, the proposal made by Lord Overstone in 1837, for effecting a complete separation between the issuing and banking departments of that establishment. And while the directors are left at liberty to manage the latter at discretion; their management of the former, or issue department, is subjected to a well-devised system of restraint. The bank is allowed to issue 14,000,000*l.* of notes upon securities (of which the debt of 11,015,100*l.* lent by her to government is a part); and whatever paper the issue department may at any time issue over and above this maximum amount of securities, it must have an equal amount of coin and bullion in its coffers.[1] Hence it is impracticable for the issue department to increase its issues without, at the same time, proportionally increasing its stock of coin and bullion; or to diminish the latter without proportionally diminishing

[1] A clause is inserted in the act allowing the Bank to increase her issue upon securities, in the event of her notes being issued instead of those of any or of all the existing banks of issue. Under this clause the issue on securities now (April 1863) amounts to 14,650,000*l.*

the amount of paper supplied to the public and the banking department. It is no longer, as formerly, in the power of the bank to create paper money at pleasure to supply the place of cash in any emergency in which she may be involved; and instead of less, she requires to act with more circumspection under the new system than under the old.

This dependence of the issues of paper on the flow of bullion into and from the coffers of the issue department has been said by the opponents of the system to limit the currency and to confine us in 1863 to the same amount of money that was required in 1844, notwithstanding the immense increase of commercial transactions in the interval. But though this statement has been made by parties who ought to have known better, the reader can hardly require to be told that it is completely destitute of foundation. The 14,000,000*l.* issued on securities is the only thing that is limited in the Act; everything else varies with the varying condition and circumstances of the country, including the means by which the use of money may be economised. In the week ended the 1st April 1863, the issue department of the bank had issued notes to the amount of 28,987,735*l.*, being no fewer than 14,287,735*l.* over and above the amount authorized to be issued on securities. And if the country had really required a larger supply of money, that is, if more coins, or paper equivalent to coins, could have been absorbed into the circulation without rendering the currency redundant and depressing the exchange, the additional quantity would have been forthwith supplied. For under such circumstances, merchants, bankers, and money dealers would have realized a certain and immediate profit by carrying bullion to the mint or the bank, that they might obtain coins or notes, or both, with which to increase the currency. It is one of the chief merits of the Act of 1844, that, under its agency, the supply of money is not to any extent or in any degree regulated or influenced by the proceedings of the bank or the government. They have nothing to do in the matter unless it be to coin the bullion which individuals or firms carry to the mint for that purpose, and to exchange, when called upon, notes for coins and coins for notes. The supply of money, like that of all non-monopolized articles, is wholly dependent upon and is determined by the free action of the public It would, indeed, be quite as true to say that the Act of 1844 limits the amount of corn, of cloth, or of iron produced in the country as that it limits the amount of money. It maintains the value of the notes issued by the bank on a level with the coins for which they are substitutes; but beyond that its effect is *nil*. It has nothing whatever to do with the greater or less amount of the currency; that depends entirely on the estimate formed by the public of its excess or deficiency, an estimate which, when wrong, is sure to be corrected by the exchange.

We may add, that no inference can ever be safely drawn from the number of notes or coins, or both, afloat in a country, as to whether its currency be, or be not, in excess. That is to be learned by the state of the exchange, or by the influx and efflux of bullion. If the imports of bullion exceed the exports, it shows that the currency is in some degree deficient; while, if the exports exceed the imports, it shows that the currency is in excess, and that no additions can be made to it without farther depressing the exchange and increasing the drain of bullion. When the imports and exports of bullion are about equal, then of course the currency is at about its proper level. These are the only criteria by which anything can ever be correctly inferred in regard to the deficiency or excess of currency. Its absolute amount affords hardly even a basis for conjecture. When there is little speculation or excitement, an issue of 25 or 27 millions bank notes may be in excess; while at another time, and with a different state of trade and speculation, an issue of 35 or 37 millions may not be enough. Except in periods of internal commotion, or when we are disturbed by alarms of invasion, the state of the exchange is the only, as it is the infallible, test of the sufficiency and insufficiency of the currency.

We may farther state that those who are in the habit of complaining of the limitation of the currency by the Act of 1844, almost uniformly underrate its amount. We have already seen that in the week ending 1st April 1863, the notes issued by the issue department of the bank amounted to 28,987,735*l.*, of which 8,570,520*l.* were in the banking department of the bank, leaving a balance of 20,367,215*l.* in the hands of the general public; and this latter is, we are told, the real amount of the issues. But this is falling into the rather serious blunder of mistaking a part for the whole. The notes in the banking department of the bank make not only a part but a most important and active part of the currency of the country. They constitute the means, along with the bullion in the same department, with which the bank carries on her banking business, and are as evidently a portion of the currency as the notes in the tills of private bankers and the pockets of individuals. The notes in the banking department of the bank must therefore never be omitted in estimating the amount of notes in circulation. The latter and the notes out of the issue department are identical, and, in a general point of view, it matters not a straw whether they are in the hands of the banking department of the bank or of individuals.

Weekly returns are published of the issues of the bank, and of the securities, bullion, &c. in her possession.

The provisions made in the Act of 1844 for restraining the country circulation were, perhaps, still more important. The maximum future issue of the joint-stock and other banks in England and Wales was limited to the average amount of the circulation of

each during the twelve months preceding the 27th of April 1844; the aggregate being 3,477,321*l.* for the joint-stock, and 5,011,097*l.* for the private banks. It was farther enacted that no new bank should be established for the issue of notes; and that the names of the partners in joint-stock and other banks, which had previously been obtained by the Stamp-office, should be periodically published.

The regulations in the statutes relating to banking in Scotland and Ireland are nearly similar. The maximum amount of notes to be issued by the banks of both countries was, in time to come, not to exceed the average amount which each bank had in circulation during the twelve months ending the 1st May 1845. Certain returns, including amongst others the amount of gold and silver coin held by the banks, the names of the partners, &c., are periodically published. The small-note currency of Scotland was not affected by the measure.

It is impossible to doubt that these regulations interpose a formidable obstacle to over-issue; and that, consequently, they discourage over-trading, and tend to reduce both the number and the violence of the commercial revulsions and changes in the value of money, that have always been, and must necessarily continue to be, productive of the greatest mischief. No one ever pretended to say that these or any other measures which could be adopted with respect to the currency would wholly prevent unsafe speculation and over-trading. These may originate in an endless variety of circumstances; but in times past the tendency to speculation and gambling, when once set on foot, was, in most cases, powerfully stimulated by the facility which banks then possessed of issuing additional quantities of paper; and of that facility they are now all but deprived. It is, perhaps, true, that the fair and legitimate influence of the acts now referred to may be in some degree countervailed by the circulation to a greater extent than formerly of bills and other sorts of paper not payable on demand, but at short dates; and it is not improbable that sooner or later the question may arise, whether any regulations should be adopted in regard to the issue of such paper. In so far, however, as respects the issue of *paper money*, or notes payable on demand, the regulations in the Act of 1844 appear to have left little to be desired. No doubt, also, numbers of the private and other banks that issue notes will, from time to time wind up their affairs; and as no new banks of issue can be established in their stead, the vacuum caused by the withdrawal of their notes will be supplied by those of the Bank of England; so that a gradual progress will be made towards the desirable consummation of having only one bank of issue.

It is sometimes contended, by those opposed to the policy of limiting the issues, that they never can be in excess so long as they are payable on demand. Such, however, is not the case: notes payable, *and really paid*, on demand cannot, it is true, fall below the value of specie in the country in which they are issued; but the check of payment in specie does not, in fact, begin to operate till their over-issue has depreciated the value of the whole currency, gold as well as paper, in such country, below its level in the surrounding countries, and till, consequently, the exchange becomes unfavourable, and it is advantageous to export gold. Then, of course, the over-issue is stopped, but such stoppage is almost always accompanied by a great deal of public distress and inconvenience; while it by no means necessarily follows that any considerable portion of the loss thence arising will fall on those banks by whose misconduct or over-issue the fall in the exchange and the demand for bullion may have been occasioned.

The measures adopted in 1844, though they deeply affected many powerful private interests, were passed with little difficulty, and were very generally approved. In this respect, however, public opinion subsequently varied a little; and the Act of 1844 was charged by various parties with having aggravated the pressure experienced by the mercantile world in 1847. But there was no real ground for any such imputation. The crisis of 1847 was a consequence, partly of the railway mania of the previous year, and partly of the failure of the potato crops of 1845 and 1846. The failure in the latter year deprived fully two-thirds of the people of Ireland, and a considerable portion, also, of those of Great Britain, of their accustomed supplies of food. In consequence of this deficiency, and of government having come forward to provide the means for its relief, there was an unprecedented importation of all sorts of corn; and the demand for bullion for exportation to meet this importation, occurring simultaneously with a vast railway expenditure, pecuniary accommodations were obtained with the greatest difficulty, and the rate of interest rose to an extraordinary height. Instead, however, of being increased by the Act of 1844, it is abundantly certain that the operation of the latter contributed to alleviate the severity of the crisis. The restraints it imposed on the issues of the country banks had hindered them from embarking to any great extent in railway adventures, so that they were better able to assist their customers; and it also prevented the Bank of England from attempting to meet the exigencies of the case, otherwise than by raising the rate of interest, and restricting her issues. And besides being the natural and proper, these were, in fact, the only means by which the value of bullion could be raised in this country, its demand for foreign remittance checked, and the exchange turned in our favour. A great many mercantile houses that had been trading upon very insufficient capitals, or which had previously been virtually insolvent, were, of course, swept off during the crisis; and the alarm that was thereby occasioned, though for the most part without any good founda-

tion, gave rise to a species of panic. During the prevalence of the latter, government consented (25th October 1847) to a temporary suspension of the Act of 1844. But there is, we believe, little doubt that this was an unwise proceeding. When it took place the violence of the crisis had abated. The drain for gold for exportation had not only ceased, but it had begun to set in our favour; and the probability is, that in a few days all alarm would have passed off, without the dangerous precedent which was set by the interference of ministers. The truth is, that the experience afforded by the crisis of 1847 was strongly in favour of the Act of 1844. But for its influence, it is most probable that the bank would have attempted to meet the demand for bullion without raising the rate of interest, at least to the extent to which she did raise it; and if so, we should have been exposed to the imminent risk of a suspension of cash payments.

The circumstances that led to the suspension of the Act of 1844 in 1857 were somewhat similar. The real value of our exports to the United States in 1856 amounted to 21,476,000*l.*, and in addition to this immense sum a large additional amount was due to this country on account of dividends on state, railway, canal, and other stocks, &c. Unluckily, however, all, or nearly all, the American banks stopped payments in 1856 and 1857; and the losses that were thus occasioned, coupled with the consequent reduction and cessation of remittances, produced much distress among great numbers of the merchants and others engaged in the American trade. And it was among them, or those immediately connected with that trade, that the greatest overtrading and abuse of credit had taken place. Some firms in Glasgow, which had been notoriously overtrading for a number of years, were the first to give way; and their failure being on a very large scale, the banks by which they had been principally supported became the objects of suspicion, and from suspicion to distrust there is but a step. Notwithstanding the numbers and wealth of the shareholders responsible for the banks in question, they were subjected to a run on the part of the inferior class of note-holders and depositors, and their resources being either anticipated or locked up, they were obliged to suspend payments. And had they only failed, none could have regretted the result. On the contrary, it would have been nothing more than they deserved, for they had for a lengthened period grossly abused the ample resources at their command, and resorted to the most questionable means to bolster up the speculators with whom they had become identified; but the mischief is, that the disastrous effects of such proceedings cannot be confined to the guilty parties. A fire originating in a pig-stye may destroy a palace. The suspension of the offending banks, by generating uneasy feelings and suspicions in the public mind, led to a run on some of the other banks. And to provide for their own safety, these establishments immediately began to sell securities and to adopt other means by which to obtain supplies of gold. Large amounts of it were in consequence carried to Scotland. And, in addition to the demand for gold, the demand for discounts, notwithstanding the high rate of ten per cent. charged by the bank, continued undiminished, so that the reserve in her possession was reduced on the 11th of November to 1,462,153*l.*; and it was the general belief that this inadequate reserve would be forthwith either much reduced or wholly swallowed up. To avert the possibility of such an event occurring, the directors were authorized, on the 12th of November, to issue notes without being bound by the conditions of the Act of 1844.

This, though a brief, is a sufficiently accurate account of the leading circumstances that occasioned the suspension of the Act in 1857. The weight to be attached to them will be differently estimated by different individuals. The suspension was thought by some to have been at least premature, and by others that probably it might have been avoided. It is alleged that the panic in Scotland had begun to subside previously to the measure being adopted; and it was all but certain that when it had subsided a considerable portion of the gold that had been sent to Scotland would speedily find its way back to London, and some considerable risk and inconvenience should have been encountered rather than that measures should have been adopted, the effect of which was to protect speculators and money dealers without capital, and wanting alike in character and conduct, from the consequences of their unjustifiable proceedings. But the immediate exposure and punishment of these parties, however desirable, was not to be purchased at the risk of a general revulsion. And as the information laid before ministers made them believe that such a calamity was imminent unless the statute of 1844 was suspended, they were bound to act upon that conviction, and to provide *ne quid detrimenti respublica capiat*.

But whatever may be thought of these conclusions, it is at all events certain that the Act of 1844 had nothing whatever to do with this revulsion. It did not occasion the American stoppage, and under its operation the foreign drain for gold had been entirely stopped: and though it could not prevent that abuse of banking, and that system of rediscounting and overtrading in which so many banks and firms had been engaged, it contributed in no ordinary degree, by preventing the issue of spurious paper, to confine them within comparatively narrow limits, and to lessen the violence of the crisis.

The Act of 1844 is a rule to be enforced in all but extraordinary and unforeseen emergencies, the urgency of which cannot be appreciated beforehand, but must be determined at the moment. But when these occur, it may, like the Habeas Corpus Act, be properly suspended. It is mainly calculated to regulate our currency, by the exchanges, or through our commercial inter-

course with other countries; but it is not applicable, nor is any system, of which the convertibility of paper into coin makes a part, applicable to a state of internal discredit or panic. Had it existed in 1797 it must have been suspended; and its suspensions in 1847 and 1857 are only to be justified by the state of our domestic affairs, making an adherence to principle inexpedient and impracticable. But, whenever the circumstances referred to, that is, when the panic and distrust that occasion the suspension of the Act subside, then it should be revived in its pristine vigour. The Habeas Corpus Act is not the less efficient at this moment, that it has been repeatedly suspended in periods of danger and difficulty.

Inasmuch, however, as the Act of 1844 has been suspended in cases of emergency, and as there can be no doubt that it will be suspended, if occasion require, in time to come, it may be supposed, perhaps, to be indifferent whether such suspension should be effected as hitherto by the *pro re nata* interference of ministers, or whether a suspensive power should be embodied in the Act. We believe, however, that the present plan is much the best of the two. When government interferes to suspend the Act, the necessity under which they are placed of applying to parliament for an indemnity, and the discussions thence arising, are the best securities that can be obtained for the measure not being resorted to rashly, or without a reasonably good cause. But it would be quite another thing did the Act contain a clause authorizing suspensions. This would show that they were expected, and, indeed, almost invited. Under such circumstances they would soon come to be regarded as matters of course, and to be resorted to whenever a complaint or cry of monetary pressure was got up. And were such the case, it would be idle to suppose, that either the Act or the convertibility of notes should be maintained for any considerable period.

Hence it follows that the Act of 1844 should be indefinitely continued with little or no alteration. All the most important interests of the country will be best secured by such a proceeding.[1]

The Act of 1708, preventing more than six individuals from entering into a partnership for carrying on the business of banking, did not extend to Scotland. In consequence of this exemption, several banking companies, with numerous bodies of partners, have always existed in that part of the empire. The Bank of Scotland was established by Act of Parliament in 1695. By the terms of its charter it enjoyed, for twenty-one years, the exclusive privilege of issuing notes in Scotland. Its original capital was only 100,000*l.*; but it was increased to 200,000*l.* in 1744, and now amounts to 1,500,000*l.*, of which 1,000,000*l.* has been paid up.

The Royal Bank of Scotland was established in 1727. Its original capital was 151,000*l.*; at present it amounts to 2,000,000*l.*, which has been all paid up.

The British Linen Company was incorporated in 1746, for the purpose, as its name implies, of undertaking the manufacture of linen. But the views in which it originated were speedily abandoned and it became a banking company only. Its paid-up capital amounts to 1,000,000*l.*

Exclusive of the above, there are two other chartered banks in Scotland: the Commercial Bank, established in 1810; and the National Bank of Scotland, established in 1825. The former has a paid-up capital of 600,000*l.*, and the latter of 1,000,000*l.*

None of the other banking companies established in Scotland are chartered associations; and the partners are jointly and individually liable to the whole extent of their fortunes for the debts of the firms. The private banks that formerly existed have been merged in joint-stock associations, the greater number of which have numerous branches; so that there is hardly a town or village of any consequence without two or more banks.

The Bank of Scotland began to issue one-pound notes as early as 1704, and their issue has since been continued without interruption. All the Scotch banks issue notes; and taking their aggregate circulation at 4,000,000*l.*, it is supposed that above 2,500,000*l.* consists of notes for 1*l.* In 1826 it was proposed to suppress one-pound notes in Scotland as well as in England; but the measure having been strongly objected to by the people of Scotland, as being at once oppressive and unnecessary, it was abandoned.

There was for a lengthened period very few bankruptcies among the Scotch banks; a result, probably, of the wealth of the banks that were early established, and still more of the caution of their managers and the comparatively little risk which attended their business. But the rapid growth of Glasgow, Paisley, Dundee, and other manufacturing towns has greatly increased the hazard of banking operations in Scotland. And while risk was increased on the one hand, there was on the other a marked decline of the caution and wariness that had formerly distinguished the Scotch bankers. The bankruptcy of the Western Bank of Scotland, which occurred in 1857, is the most disastrous result of this altered state of things. It had a paid-up capital of 1,500,000*l.*, above 1,200 shareholders, and a large amount of deposits. With ordinary good management it would have been a flourishing concern; but the directors, who should have attended to its affairs, appear to have contented themselves with delegating their duties to the most reckless and incompetent managers, who made large advances to parties wholly unworthy of credit. Yet, strange to say, the confidence of the public

[1] The best defence of the Act of 1844, and one of the ablest expositions of the theory and practice of banking that has ever been published, will be found in Lord Overstone's Evidence before a Committee of the House of Commons in 1857 (8vo., London, 1857). It will also afford the reader a high intellectual treat.

in the stability of the bank was not materially shaken, and it went on paying nine per cent. dividend down to its stoppage, when it was found that its capital was entirely gone, and that it had, in addition, lost a very large sum! No such gigantic failure has hitherto taken place in Scotland; and though its creditors have been all paid, the distress it occasioned among the shareholders was of the most painful description. The City of Glasgow Bank, which stopped at the same time as the Western Bank, soon after resumed payments.

That suppression of one-pound notes which is so indispensable in England, is less necessary in Scotland. The commerce and population of the latter are too limited, and it is too remote from the metropolis, or from the centre of the moneyed world, the pivot on which the exchanges turn, to make it of importance that her currency should be identical with that of England. The Scotch attach more importance than it deserves to the issue of paper, and especially to the issue of one-pound notes; but the circumstances have not hitherto been such as to call for or warrant any attempt to introduce any material changes in their banking system, unless it were to make the responsibility of the directors something more than nominal.

All the Scotch banks receive deposits of the low amount of 10*l.* or less, and allow interest on them at from one to two per cent. below the market rate. But should a deposit be unusually large, as from 5,000*l.* to 10,000*l.*, a special agreement is usually made with regard to it. This part of the system has been particularly advantageous. It, in fact, renders the Scotch banks a sort of savings' banks for all classes; and their readily receiving all sorts of deposits at a reasonable rate of interest has tended to diffuse a spirit of economy and parsimony among the people that would not otherwise have existed. The total deposits in the hands of the Scotch banks are believed, as previously stated, to amount at present (1863) to above 50,000,000*l.*, of which fully a half is understood to be in sums varying from 10*l.* to 300*l.* The system of cash credits in Scotland has been already described, see *ante*, p. 130.

The bank of Ireland was established in 1783, and the same restriction as to the number of partners in other banks that formerly prevailed in England was enacted in its favour. Owing to that and other causes the bankruptcies of private banks have been more frequent in Ireland than in England. In 1821 this restriction was repealed, as respects all parts more than 50 Irish miles from Dublin. Since that period several banking companies, with large bodies of partners, have been set on foot in different parts of Ireland; of these the Provincial Bank, founded on the Scotch model, is among the most flourishing. The Irish banks, like the Scotch, issue notes for 1*l.*

The banking system of the United States, which is in all respects as objectionable as can well be imagined, is fully described in the 2nd part of the article MONEY, in the "Encyclopædia Britannica." The reader will there also find some details in regard to the principal continental banks.

We subjoin the following particulars in regard to the bank note circulation of the United Kingdom in each year since 1844.

Years.	England and Wales.			Total England and Wales.	Total Scotland.	Total Ireland.	Total United Kingdom.	Average Bullion in Bank of England.
	Bank of England.	Private and Joint-Stock Banks.						
		Private.	Joint-Stock.					
	£	£	£	£	£	£	£	£
1844	21,731,000	4,510,000	3,190,000	29,430,000	3,290,000	6,950,000	39,670,000	15,331,000
1845	21,250,000	4,550,000	3,170,000	28,970,000	3,400,000	7,250,000	39,620,000	14,680,000
1847	20,110,000	4,540,000	3,090,000	27,740,000	3,550,000	6,110,000	37,300,000	10,610,000
1848	19,070,000	3,660,000	2,630,000	25,330,000	3,330,000	4,750,000	33,410,000	13,760,000
1849	19,990,000	3,560,000	2,430,000	25,980,000	3,220,000	4,230,000	33,130,000	18,160,000
1850	20,620,000	3,580,000	2,740,000	26,940,000	3,220,000	4,510,000	34,770,000	16,600,000
1851	20,630,000	3,460,000	2,710,000	26,830,000	3,240,000	4,460,000	34,530,000	11,560,000
1852	23,160,000	3,540,000	2,880,000	29,570,000	3,100,000	4,820,000	37,490,000	21,080,000
1853	24,030,000	3,800,000	3,050,000	30,880,000	3,860,000	5,650,000	40,390,000	17,370,000
1854	21,830,000	3,770,000	3,030,000	28,630,000	4,050,000	6,290,000	38,970,000	13,870,000
1855	19,500,000	3,840,000	3,140,000	26,480,000	4,100,000	6,360,000	37,140,000	14,210,000
1856	19,720,000	3,780,000	3,050,000	26,550,000	4,090,000	6,630,000	37,290,000	10,910,000
1857	21,331,250	3,539,732	2,931,894	26,810,777	4,143,289	6,664,889	37,358,955	10,108,250
1858	21,193,229	3,217,196	2,765,291	26,210,716	3,923,815	6,183,075	36,319,606	17,511,744
1859	21,855,250	3,397,827	2,978,274	28,231,311	4,223,105	6,938,185	39,392,601	17,928,755
1860	21,332,624	3,443,200	3,009,202	27,785,026	4,227,089	6,840,346	38,852,461	15,387,168
1861	20,026,825	3,232,538	2,893,101	26,152,764	4,199,631	6,267,219	36,619,614	12,109,017

NOTE X.

CORN LAWS AND CORN TRADE.

PART I.

Historical Sketch of the Corn Laws from 1773, down to their extinction in 1849.

DR. SMITH has given, in his *Digression on the Corn Trade and Corn Laws*,[1] an account of the statutes by which the internal and external corn trade were regulated down to the Act of 1773. This sketch will therefore merely embrace one or two observations on that Act, and a brief notice of those that have been passed since.

The advocates of the restrictive system have very generally argued that the facilities given to importation by the Act of 1773 were, by discouraging agriculture, among the chief causes of the increase of prices that has since

[1] Page 232.

taken place. But the truth is, that the act of 1773 was occasioned by a previous rise of prices. Subsequently to the peace of Paris, in 1763, a new and powerful stimulus was given to the manufactures and commerce, and, by consequence, to the population of the empire. A considerable advance was at the same time made in agriculture; but as its progress was not so rapid as the progress of population, prices began gradually to rise, and the excess of exports over imports to diminish. In 1765, before any suspension of the restrictive system took place, the balance on the side of wheat exported amounted to only 77,000 quarters, and the home price in that and the two preceding years rose to an unusual height. Under these circumstances, a strong conviction began to be generally entertained of the impolicy of continuing the prohibition of importation; and the high duties were, in consequence, suspended in 1766. This suspension, accompanied occasionally by restrictions on exportation, was continued by temporary enactments to 1773. By the act that was then framed, foreign wheat was allowed to be imported, on paying a nominal duty of 6*d*. whenever the home price was at or above 48*s*. a quarter; and the bounty[1] and exportation were together to cease when the price was at or above 44*s*. This statute also permitted the importation of corn at any price, duty free, in order to be again exported, provided it were, in the mean time, lodged under the joint locks of the king, and the importer.

The prices, when exportation was to cease by this act, seem to have been fixed too low; and, as Dr. Smith has remarked, there appears a good deal of impropriety in prohibiting exportation altogether the moment it had attained the limit when the bounty given to force it was withdrawn; yet with all these defects, the act of 1773 was a material improvement on the former system, and should not have been altered, unless to give greater freedom to the trade.

The idea entertained by some that this law must, when enacted, have been injurious to the agriculturists, seems altogether illusory. The permission to import foreign grain, when the home price rose to a moderate height, certainly prevented their realizing exorbitant *profits* in dear years, and prevented an unnatural proportion of the capital of the country being turned towards agriculture. But as the limit at which importation, at a nominal duty, was allowed, was fixed very considerably above the average price in the reign of George II., it cannot be maintained that it had any tendency to reduce previous prices, which alone could discourage agriculture: and in fact no such reduction took place.

By referring to the tables of exports and imports annexed to this note, it will be seen that in 1772 the balance on the side of wheat imported amounted to 18,515 quarters; and in 1773, 1774, and 1775, all years of great prosperity, this balance was very much increased. But the loss of a great part of our colonial possessions, the stagnation of commerce, and difficulty of obtaining employment, occasioned by the American war, diminished the consumption; and this, combined with unusually productive harvests, rendered the balance high on the side of exportation in 1778, 1779, and 1780. In 1783 and 1784, the crop was unusually deficient, and considerable importations took place, but in 1785, 1786, and 1787, the exports again exceeded the imports; and it was not till 1788, when the country had fully recovered from the effects of the American war, and when manufacturing improvements were carried on with extraordinary spirit, that the imports permanently overbalanced the exports.

The growing wealth and commercial prosperity of the country had thus, by increasing the population, and enabling individuals to consume additional quantities of food, caused the home supply of corn to fall somewhat short of the demand; but it must not, therefore, be concluded that agriculture had not at the same time been very greatly ameliorated. "The average annual produce of wheat," says Mr Comber, "at the beginning of the reign of Geo. III., was about 3,800,000 quarters, of which about 300,000 had been sent out of the kingdom, leaving about three and a half millions for home consumption. In 1773, the produce of wheat was stated to the House of Commons to be four millions of quarters, of which the whole, and above 100,000 imported, were consumed in the kingdom. In 1796, the consumption was stated in the House of Commons, by Lord Hawkesbury, to be 500,000 quarters per month, or six millions annually, of which about 180,000 were imported, showing an increased produce, in about 20 years, of 1,820,000 quarters. It is evident, therefore, not only that no defalcation of produce had taken place, in consequence of the cessation of exportation, as has been too lightly assumed, from the occasional necessity of importation, but that it had increased with the augmentation of our commerce and manufactures."[2]

These estimates are, no doubt, very loose and unsatisfactory, but the fact of a great increase of produce having taken place is unquestionable. In a Report by a committee of the House of Commons on the state of the *waste lands*, drawn up in 1797, the number of acts passed for enclosing, and the number of acres enclosed, in the following reigns, are thus stated:

[1] The bounty amounted to 5*s*. on every quarter of wheat; 2*s*. 6*d*. on every quarter of barley; 3*s*. 6*d*. on every quarter of rye; and 2*s*. 6*d*. on every quarter of oat.

[2] Comber on National Subsistence, p. 180.

	Number of Acts.	Number of Acres.
In the reign of Queen Anne	2	1,139
George I. - - -	16	17,960
George II. - - -	226	818,778
George III. to 1797 -	1,532	2,804,197

It deserves to be noticed, that from 1771 to 1791, both inclusive, the period during which the greater number of these improvements were effected, there was no rise of prices.

The landholders, however, could not but consider the liberty of importation, granted by the act of 1773, as injurious to their interests, inasmuch as it prevented prices from rising with the increased demand. A clamour, therefore, was raised against that law; and, in addition to this interested feeling, a dread of becoming habitually dependent on foreign supplies of corn operated on many, and produced a pretty general acquiescence in the act of 1791. By this act the price, when importation could take place from abroad at the low duty of 6*d.*, was raised to 54*s.*, under 54*s.* and above 50*s.* a middle duty of 2*s.* 6*d.*, and under 50*s.* a prohibitory duty of 24*s.* 3*d.* was charged. The bounty continued as before, and exportation without bounty was allowed to 46*s.* It was also enacted, that foreign wheat might be imported, stored under the king's lock, and again exported free of duty; but if sold for home consumption, it became liable to a warehouse duty of 2*s.* 6*d.* in addition to the ordinary duties payable at the time of sale.

In 1797 the Bank of England obtained an exemption from paying in specie; and the consequent facility of obtaining discounts and getting a command of capital, which this measure occasioned, gave a fresh stimulus to agriculture; the efficacy of which was most powerfully assisted by the scarcity and high prices of 1800 and 1801. An agricultural mania now seized the nation; and as the prices of 1803 would not allow the cultivation of the poor soils, which had been broken up in the dear years, to be continued, a new corn law, being loudly called for by the farmers, was passed in 1804. This law imposed a prohibitory duty of 24*s.* 3*d.* per quarter on all wheat imported when the home price was at or below 63*s.*; between 63*s.* and 66*s.* a middle duty of 2*s.* 6*d.* was paid; and above 66*s.* a nominal duty of 6*d.* The price at which the bounty was allowed on exportation was extended to 50*s.*; and exportation without bounty to 54*s.* By the act of 1791, the maritime counties of England had been divided into 12 districts, and importation and exportation had been regulated by the particular prices of each; but by the act of 1804 they were regulated in England by the aggregate average of the twelve maritime districts, and in Scotland by the aggregate average of the four maritime districts. The averages, as at present, were taken at four periods of the year, and the ports could not remain open or shut for less than three months. This method of ascertaining prices was, however, modified in the following session, and it was then fixed that importation both in England and Scotland should be regulated by the average price of the whole twelve maritime districts.

In 1805 the crop was very considerably deficient, and the average price of that year was about 22*s.* per quarter above the price at which importation was allowed by the act of 1804. As the depreciation of paper, compared with bullion, was then only four per cent., the high price of that year must have been owing to the new law, preventing any importation of foreign grain till the home price had attained to a high elevation, and then cramping mercantile operations; and to the obstacles which the war threw generally in the way of commerce. In 1806,[1] 1807, and 1808. the depreciation of paper, compared with bullion, continued at nearly three per cent. But though the price of wheat in those years was nearly 80*s.* a quarter, only a small importation took place. From autumn 1808 to spring 1814, the depreciation of the currency was unusually great; and several crops in that interval being likewise deficient, the price of corn, influenced by both causes, rose to a surprising height. At that time no vessel could be laden in any continental port for England, without purchasing a license; and the freight and insurance were at least four times as high as during peace. But, in the autumn of 1813, the destruction of Napoleon's anti-commercial system having increased the facilities of importation, a large quantity of corn was poured into the kingdom; and in 1814 its bullion price was reduced below the limit at which importation was allowed.

Before this fall of price, a committee of the House of Commons had been appointed to inquire into the state of the laws affecting the corn trade; and recommended in their Report (dated 11th May 1813) a very great extension of the rates at which exportation was formerly allowable, and when importation free of duty could take place. The recommendation of this committee was not adopted by the House; but the fact of its having been made when the home price was at least 112*s.* per quarter, displays a surprising degree of solicitude to exclude fo-

[1] Several impolitic restraints had been for a long time imposed on the free importation and exportation of corn between Great Britain and Ireland, but they were wholly abolished in 1806; and the act of that year (46 Geo. III. c. 97) establishing a free trade in corn between the two great divisions of the empire, was not only a wise and proper measure in itself, but has powerfully contributed to promote the general advantage.

reigners from all competition with the home growers.

The lessening of the dependence of the country on foreign supplies formed the sole ostensible ground on which the committee of 1813 proposed an alteration in the act of 1804. But after the fall of price in 1813, and in the early part of 1814, it became obvious, on comparing our previous prices with those of the continent, that without an alteration of the existing law, this dependence would be a good deal increased: that a considerable extent of such poor lands as the previous high prices had forced into cultivation would be again thrown into pasturage, and that a corresponding reduction of rent would most likely be experienced. These consequences alarmed the landlords and occupiers, and in the early part of the session of 1814, a new set of resolutions were voted by the House of Commons, declaring that it was expedient to repeal the bounty, to permit the free exportation of corn, whatever might be the home price, and to impose a graduated scale of duties on the importation of foreign corn. Thus, foreign wheat imported when the home price was at or under 64*s.* was to pay a duty of 24*s.*; when at or under 65*s.* a duty of 23*s.*, and so on till the home price should reach 86*s.*, when the duty was reduced to 1*s.*, at which sum it became stationary. Corn imported from Canada, or the other British colonies in North America, was to pay half the duties on other corn. As soon as these resolutions had been agreed to, two bills founded on them, one for regulating the importation of foreign corn, and another for the repeal of the bounty, and for permitting unrestricted exportation, were introduced. Little attention was paid to the last of these bills, but the one imposing fresh duties on importation encountered a very keen opposition. The manufacturers, and every class not directly supported by agriculture, stigmatised it as an unjustifiable attempt artificially to keep up the price of food, and to secure excessive rents and large profits to the landlords and farmers, at the expense of the consumers. Meetings were very generally held, and resolutions entered into, strongly expressive of this sentiment, and dwelling on the fatal consequences which, it was affirmed, a continuance of the high prices would have on our manufactures, in a season of peace, and when we could no longer monopolise the commerce of the world. This opposition, coupled with the indecision of ministers, and perhaps, too, with an expectation, on the part of the landlords, that prices would again rise, without any legislative interference, caused the miscarriage of this bill. The other bill, repealing the bounty, and allowing an unlimited freedom of exportation, was passed into a law.

Committees were appointed, in 1814, by both houses of parliament, to examine evidence and report on the state of agriculture; and in consequence a number of the most eminent agriculturists were examined. The witnesses were unanimous in this only, that the protecting prices, fixed in 1804, were insufficient to enable the farmers to make good the engagements into which they had subsequently entered, and to continue the cultivation of the inferior lands lately brought under tillage. Some of them thought that 120*s.* ought to be fixed as the limit when the importation of wheat free of duty should be allowed: others varied from 90*s.* to 100*s.* —from 80*s.* to 90*s.*—and a few from 70*s.* to 80*s.* The general opinion, however, seemed to be, that 80*s.* would suffice; and as prices continued to decline, a set of resolutions, founded on this assumption, were submitted to the House of Commons by Mr Robinson of the Board of Trade (now Lord Ripon), and having been agreed to, a bill founded on them was, notwithstanding a vigorous opposition, carried in both Houses by large majorities, and finally passed into a law. (55th Geo. III. c. 26.)

According to this act all sorts of foreign corn, meal or flour, might at all times be imported free of duty, into any port of the United Kingdom, for warehousing; but foreign corn was not permitted to be taken out of the warehouse for home consumption, except when the average prices of British corn were as follows, viz. wheat 80*s.* per quarter; rye, pease, and beans, 53*s.*; barley, bear or bigg, 40*s.*; and oats 26*s.*: And all importations of corn from the British plantations in North America were forbidden, except when the average home prices were at or under, wheat 67*s.* per quarter; rye, pease, and beans, 44*s.*; barley, bear, or bigg, 33*s.* and oats 22*s.*: And it was also enacted, that "if it shall at any time appear that the average price of British corn, in the six weeks immediately succeeding the 15th February, 15th May, 15th August, and 15th November in each year, shall have fallen below the prices at which foreign corn, meal or flour, are by law allowed to be imported for home consumption, no such foreign corn, meal, or flour shall be allowed to be imported into the United Kingdom for home consumption, from any place between the rivers Eyder and Garonne, both inclusive, until a new average shall be made up and published in the London Gazette, for regulating the importation into the United Kingdom for the succeeding quarter."

The agriculturists confidently expected that this act would immediately raise prices, and render them steady at about eighty shillings. But for reasons which will be afterwards stated, these expectations were en-

tirely disappointed. In 1821, when prices had sunk very low, the House of Commons appointed a committee to inquire *into the causes of the depressed state of agriculture, and to report their observations thereupon.* This committee examined a number of witnesses, and drew up a Report, which, though not free from error, may be referred to with advantage. It contains a forcible exposition of the pernicious effects arising from the provisions of the law of 1815, of which it suggested several important modifications. These, however, were not adopted; and as the low prices and consequent distress of the agriculturists still continued, the subject was again brought under the consideration of parliament in the following year. After a good deal of discussion, a new act was then passed, (3 Geo. IV. cap, 60,) by which it was enacted, that *after* prices had risen to the limit of free importation fixed by the act of 1815, that act was to cease, and the new statute to come into operation. This statute lowered the prices fixed by the act of 1815, at which importation was permitted for home consumption, to the following sums, viz.:

	For corn not of the British possessions in North America.	For corn of the British possessions in North America.
Wheat, - - -	70s. per qr.	66s. per qr.
Rye, pease, and beans,	46s. —	39s. —
Barley, bear, or bigg,	35s. —	30s. —
Oats, - - -	25s. —	20s. —

To prevent any violent oscillation of prices from suddenly throwing a large supply of foreign grain upon the market, it was enacted that a duty of seventeen shillings a quarter should be laid on the wheat imported from foreign countries during the first three months after the opening of the ports, if the price was between seventy and eighty shillings a quarter, and of twelve shillings afterwards; that if the price was between eighty and eighty-five shillings, the duty should be ten shillings for the first three months, and five shillings afterwards; and that if the price should exceed eighty-five shillings, the duty should be constant at one shilling, and proportionally for other sorts of grain.

This act, by preventing importation until the home price rose to seventy shillings, and then loading the imports which took place between that limit and the limit of eighty-five shillings, with heavy duties, was certainly more favourable to the views of the agriculturists than the act of 1815. But, unluckily for them, the price of no variety of corn, except barley, was sufficiently high while this act was in force to bring it into operation; so that it remained, with the above exception, a dead letter.

In 1825, an approach was made to a better system, by permitting the importation of wheat from the British possessions in North America without reference to the price at home, on payment of a duty of five shillings a quarter. But the act was passed with difficulty, and was limited to one year's duration.

Owing to the drought that prevailed during the summer of 1826, there was every prospect that there would be a great deficiency in the crops of that year; and, to prevent the disastrous consequences that might have taken place, had importation been prevented until the season was too far advanced for bringing supplies from the great corn markets in the north of Europe, his Majesty was authorised to admit 500,000 quarters of foreign wheat, on payment of such duties as the order in council for its importation should declare. And when it was ascertained that the crops of oats, pease, &c., were greatly below an average, ministers issued an order in council, on the 1st of September, authorising the importation of oats on payment of a duty of two shillings a quarter, of oatmeal on payment of two shillings and twopence a boll, and of rye, pease, and beans, on payment of a duty of three shillings and sixpence a quarter. A considerable quantity of oats was imported under this order; the timely appearance of which had undoubtedly a very considerable effect in mitigating the pernicious consequences arising from the deficiency of that variety of grain. Ministers obtained an indemnity for this order on the subsequent meeting of parliament.

Nothing could more strikingly evince the impolicy of the acts of 1815 and 1822, than the necessity under which the legislature and government had been placed, of passing the temporary acts, and issuing the orders alluded to. The more intelligent portion of the agriculturists began also to perceive that the corn laws were not really productive of the advantages they had anticipated; and the conviction that increased facilities should be given to importation became general throughout the country. The same conviction made considerable progress in the House of Commons; and several members who had supported the measures adopted in 1815 and 1822, expressed themselves satisfied that the principle of exclusion had been carried too far, and that a more liberal system should be adopted. Ministers having participated in these sentiments, Mr Canning moved a series of resolutions, as the foundation of a new corn law, on the 1st of March 1827. These resolutions bore that foreign corn might always be imported, free of duty, for warehousing, and that it should always be admissible for home consumption on payment of certain duties. Thus, in the instance of wheat, it was resolved that when the home price was at or above 70s. a quarter, the duty should be a fixed one of 1s.; and that for every shilling that the price fell below 70s.

a duty of 2*s.* should be imposed; so that when the price was at 69*s.*, the duty on importation was to be 2*s.*; when at 68*s.* the duty was to be 4*s.*, and so on. The limit at which the constant duty of 1*s.* a quarter was to take place in the case of barley, was originally fixed at 37*s.*, but it was subsequently raised to 40*s.*, the duty increasing by 1*s.* 6*d.* for every 1*s.* that the price fell below that limit. The limit at which the constant duty of 1*s.* a quarter was to take place in the case of oats, was originally fixed at 28*s.*, but it was subsequently raised to 33*s.*, the duty increasing at the rate of 1*s.* a quarter for every shilling that the price fell below that limit. The duty on colonial wheat was fixed at 6*d.* the quarter when the home price was below 65*s.* the quarter; and when the price was under that sum, the duty was constant at 5*s.*; the duties on other descriptions of colonial grain were similar. These resolutions were agreed to by a large majority; and a bill founded on them was subsequently carried through the House of Commons. Owing, however, to a change of ministers which took place in the interim, it miscarried in the Lords.

A new set of resolutions with respect to the corn trade was brought forward, in 1828, by Mr Charles Grant (now Lord Glenelg). They were founded on the same principles as those proposed by Mr Canning; but the duty was not made to vary equally, as in the resolutions of the latter, with every equal variation of price; it being 23*s.* 8*d.* when the home price was 64*s.* per imperial quarter; 16*s.* 8*d.* when it was 69*s.*; and 1*s.* only when it was at or above 73*s.* After a good deal of debate, these resolutions were carried in both Houses; and embodied in the act 9th Geo. IV. c. 60.

The prices which governed the duties in this act were ascertained from the sales of corn in the principal towns of England. The dealers were bound, under a penalty for each omission, to make weekly returns of these sales to the corn inspectors resident in the different towns, by whom they were reported to the comptroller of corn returns in London, who deduced from them a general average price, published weekly in the Gazette. Attempts have sometimes been made to falsify the average, by making reports of fictitious sales; but it is generally believed that the prices as reported have corresponded very closely with the real prices at the time.

Besides the objections which, it will be immediately shown, may be made to all protecting duties, from their tendency to force up average prices, and to render exportation in abundant years impossible, the duty imposed by the 9th Geo. IV. cap. 60, was liable to some weighty objections, which may be looked upon as peculiar to itself. From the way in which it was graduated, it introduced a new element of uncertainty into every transaction connected with the corn trade, producing a disinclination on the part of the merchant to import, and of the foreigner to raise, corn for our markets. Suppose that a cargo of wheat had been commissioned when the price was 71*s.* a quarter, in the event of the price declining only 3*s.* or to 68*s.*, the duty rose from 6*s.* 8*d.* to 16*s.* 8*d.*; so that if the grain were brought to market the merchant realised 13*s.* a quarter less than he expected, and 10*s.* less than he would have done had there been no duty, or had the duty been constant!

It may perhaps be said, that if, on the one hand, the late scale of duties was peculiarly injurious to the merchant when prices were falling, and when importation was consequently either unnecessary or of less advantage, it was, on the other hand, peculiarly advantageous to him when prices were rising, and when the public interests required that importation should be encouraged. But the prices in the view of the merchant when he gives an order are usually such as he supposes will yield a fair profit; and if they rise, this rise would, supposing the duty to be constant, yield such an extra profit as would of itself encourage him to increase his importations to the utmost. If it were possible to devise a system that should diminish the losses of the merchants who have engaged in what have proved to be unfavourable speculations, by making a proportional deduction from the extraordinary gains of those whose speculations turn out to be unusually successful, something perhaps might be found to say in its favour. But the system we have been considering proceeded upon quite opposite principles: its effect was not to diminish risks, but to increase them; it added to the loss resulting from an unsuccessful, and to the profit resulting from a successful speculation!

It is plain, therefore, that if a duty be imposed on importation, one that is constant is preferable to one that fluctuates. When the duty is constant, all classes, farmers as well as merchants, are aware of its amount, and can previously calculate the extent of its influence. But the effect of a duty that fluctuates with the fluctuations of prices can never be appreciated beforehand. Its magnitude depends on contingent and accidental circumstances, and it must therefore, of necessity, prejudice alike the interests of the farmer and of the corn-dealer.

The crops having been deficient in 1829 and 1830, there was a large importation of corn in these years, its average price being at the same time about 65*s.* a quarter. But the crops from 1831 to 1836 having been more than usually abundant, importation almost wholly ceased, and the price of wheat sunk in 1835 to 39*s.* 4*d.* a quarter, being less than it had been in any previous year since 1776.

In consequence of this succession of good harvests and low prices, the corn laws ceased for a while to attract any considerable portion of the public attention, and an impression began to gain ground that the improvement of agriculture was so rapid that, despite the increase of population and the existence of the corn laws, our prices would fall to about the level of those of the continent. But the cycle of favourable seasons having terminated in 1837, the crops of that and the succeeding five years were considerably deficient; so much so, that prices rose in 1839 to 70*s.* 8*d.* a quarter, the imports in that and the three following years being also very large. This increase in the price of corn, combined with the depressed state of commerce, originating in the pecuniary revulsion in the U. States, and other causes, again drew a great deal of attention to the corn laws; and the oppressive magnitude and injurious operation of the duties were very strongly animadverted upon at public meetings in the manufacturing towns and elsewhere. An association denominated the Anti-Corn-Law-League, originally founded in Lancashire, but which subsequently extended its ramifications to most parts of the country, was set on foot for the express purpose of keeping up an incessant agitation against the corn laws, which, in consequence of these concurring circumstances, were assailed with greater bitterness than ever. The importance of the subject at length forced it on the attention of government; and in 1841, ministers, actuated partly by a sense of the mischievous influence of the sliding-scale, and partly also by a wish to strengthen their declining popularity, brought forward a plan for remodelling the corn laws, by repealing the sliding duties, and imposing in their stead a constant duty of 8*s.* a quarter on wheat, and in proportion on other grain. But, having no majority in parliament, ministers were obliged to resort to a dissolution; and, notwithstanding its moderation, their proposal having excited the greatest apprehensions among the agriculturists, without being very warmly supported by the other classes, who now began to anticipate the total abolition of the duties, a new parliament was returned, which gave a decided majority to the opposition. It was, however, felt on all hands to be necessary to make some considerable change in the existing law, and in 1842 a measure was introduced in that view by Sir Robert Peel, which was subsequently passed into a law, 5th Vict. 2d Sess. cap. 14.

Unfortunately, however, this act, like that by which it was preceded, was bottomed on the principle of making the duties vary with the variations in the price of corn; and though the duties which it imposed were much less oppressive than those imposed by the 9th Geo. IV. cap. 60, still they were in no ordinary degree objectionable, as well from their too great magnitude as from their adding to the natural insecurity of the corn trade, and increasing the chances and severity of fluctuations. It is not, therefore, to be wondered at that the new measure gave but little satisfaction. Instead of being abated, the agitation and clamour against the corn laws continued progressively to gain strength; and the conviction began at the same time gradually to extend itself among many of those by whom these laws had hitherto been supported, that farther modifications would have to be made in them, and that they might be made without any serious injury to agriculture.

This conviction was greatly strengthened by the result of the important changes which were made in the tariff in 1842, and more especially by those which had reference to the importation of live cattle and fresh provisions. These had previously been prohibited; but Sir Robert Peel proposed that this prohibition should be repealed, and that their importation should be permitted under reasonable duties. This proposal, when first brought forward, excited the greatest apprehensions among the farmers and graziers, and was followed by an immediate fall in the price of cattle. Happily, however, the measure was carried, and it was speedily discovered that there was no such difference between the prices of cattle here and in the adjacent parts of the continent as had been supposed, and that the fears entertained by the agriculturists of the approaching ruin of the businesses of breeding and grazing were wholly unfounded. The experience afforded by the reduction and subsequent abolition of the duty on wool was similar. Instead of being injured, the interests of the British sheep farmers were promoted by these measures, the demand for home-grown wool having been rendered comparatively steady, and its price considerably increased by the stimulus which the change in the duty on foreign wool gave to the woolen manufacture.[1]

In the following year, that is in 1843, a measure was adopted, which made a wide breach in the corn laws. In 1842 the legislature of Canada passed a law, imposing a duty of 3*s.* a quarter on all wheat imported into the province, unless from the U. Kingdom, stating, in the preamble to this act, that it was passed in the expectation and belief that a corresponding reduction would be

[1] The fall in the price of wool in 1846 and 1847 had nothing to do with these measures, but was a consequence of the vast and rapidly increasing importations from our Australian colonies which reduced the price of wool, not in this country only, but generally throughout the commercial world. Latterly, however, the prices of wool have been again considerably augmented.

made in the duties on wheat and wheat-flower imported into the U. Kingdom from Canada. And conformably to this anticipation, the act 6th and 7th Vict. cap. 29, passed in 1843, reduced the duty on wheat imported from Canada to 1*s.* a quarter, and proportionally on wheat-flour. This act met with much opposition from a part of the agricultural interest in this country, who contended that it would lead to the introduction of unlimited supplies of corn from the U. States, at a duty of only 4*s.* a quarter, or, allowing for smuggling, at perhaps only half that amount. But experience showed that these anticipations were not likely to be realised; for, though the imports from Canada were materially increased, the obstacles in the way of the importation of corn from the U. States into Canada, and the danger and expense of the voyage from Montreal or Quebec to England, necessarily prevented the importation through this channel from becoming of much importance. Still, however, the measure was in so far an abandonment of the corn laws, and if we were justified in admitting the produce of the U. States to our markets in this indirect way, it was not easy to discover satisfactory grounds on which to exclude the produce of other States.

The success of the measures adopted in 1842 encouraged Sir Robert Peel to attempt still more considerable changes in 1845, when, in addition to numerous reductions, he abolished the customs' duties on about 420 articles, some of which were of very considerable importance. The measures then adopted were equivalent, in fact, to the virtual abandonment of the protective system; and under such circumstances it could not be expected that the corn laws, which were so very unpopular, and on which so serious an inroad had been made by the Canada act, would be able to maintain their place on the statute book for any very lengthened period.

They might, however, have been continued for some time longer, had not the unsatisfactory corn harvest, and the failure of the potato crop of 1845, made it necessary to adopt measures for obviating the deficiency in the supplies of food. Under the critical circumstances in which the population was then placed, the suspension of the corn laws could hardly have been avoided. But, if once suspended, their re-enactment would have been all but impossible; and it was better, perhaps, by at once providing for their repeal, to make an end of the system, and of the dissatisfaction and agitation to which it had given birth, than to endeavour to continue it in any modified shape. Such was the view of the matter taken by Sir Robert Peel; and he fortunately succeeded, despite difficulties that none else could have overcome, and at the cost of sacrifices which very few would have had the magnanimity to make, in carrying the act 9th and 10th Vict. cap. 22, for the immediate modification of the corn laws, and for their total repeal at the end of three years, or on the 1st February 1849. From that date wheat and the other varieties of corn have been subjected, on importation, to a fixed duty of 1*s.* a quarter; and flour and meal, of all sorts, to a fixed duty of 4½*d.* a cwt.

PART II.

Principles of the Corn Laws.

IT would be idle to attempt to add any thing to the clear and conclusive reasonings by which Dr. Smith has established the advantage of allowing the most perfect liberty of exportation to other countries. It is sufficient to remark, that no market can ever be steadily and plentifully supplied with corn, unless liberty be given to export the surplus supplies with which it may occasionally be furnished. Wherever the freedom of exportation is fettered, a plentiful crop, by overloading the market, and causing a heavy fall of prices, is as injurious to the farmer as a scarcity, which, indeed, by its destroying his capital, and paralysing his exertions, it seldom fails to occasion.

But it is unnecessary to dwell on this part of the subject. Exportation in England has been, for a very long period, perfectly free; and from the æra of the revolution in 1689 down to 1815, it was encouraged by the payment of a bounty whenever the home prices fell below a certain limit. But this policy errs as much on the one hand as a restriction on exportation errs on the other. Freedom is the only thing that is required to place the trade in corn on the best possible basis; and every interference which has not for its object to remove such obstacles as may prevent the establishment of a perfectly free system of exportation and importation, is sure to be prejudicial. A very few observations will suffice to show that this is the case with respect to a bounty on exportation.

SECTION I.

Inquiry into the Policy and Effect of granting a Bounty on the Exportation of Corn.

By extending the market for corn, when a bounty is first granted, the price of raw produce is raised, and agricultural profits being elevated above the general level, there is an influx of capital from other departments, until they are again reduced. Thus far a bounty accomplishes its object, and gives at least a temporary stimulus to cultivation. If the newly-employed capital rendered the same returns as that previously employed in raising corn, the cost of the latter would not be increased. But, as has been already shown, this cannot be the case for any very lengthened period. Discoveries in agriculture may, for

a while, prevent recourse being had to poorer soils, but the constant increase of population will, in the end, force their cultivation. Now, the bounty has, in this respect, precisely the same effect as an increase of population. Both extend the demand for corn; and as, by this extension of the demand, we are at length forced to employ inferior machinery, or worse land, in order to raise the additional supplies, their value must be augmented.

Were the prices of corn in Britain and France nearly on a level, no exportation from the one to the other would take place. But if, when prices were in this situation, a bounty, say of 10*s.* per quarter, were granted by our government, corn would be immediately exported from England to France. Limits would, it is true, be soon set to this exportation. The competition which takes place among exporters, as among every other class of traders, prevents their realising more than the common and ordinary rate of profit; and hence grain would be exported to France, not in the expectation of realising the whole bounty as profit, but in the view merely of securing the usual profits of stock on the capital employed in its transfer. A rise of prices, though not to the whole extent of the bounty, would therefore be immediately felt in this country, and a corresponding fall in France. Nor would this rise and fall be temporary. Corn would be permanently reduced in France, because the unusual cheapness of the foreign supplies would throw the poorest cultivated lands of that country out of tillage; and it would be permanently raised in England, because the increased demand would stimulate the bringing of poor lands under cultivation. A bounty to the extent supposed, would perhaps depress prices 5*s.* a quarter in France, and raise them as much in Britain. To the French it would be advantageous, by its enabling them to purchase an indispensable necessary at so much less than it would otherwise cost: here, however, its effects would be directly opposite. A few more of our heaths and bogs would indeed be cultivated, but all classes would find it more difficult to procure food than before. The higher price of our corn, supposing it to have no influence over wages and profits, which however would be the case, would obviously be of no public advantage; since it would in the end be proportioned to the greater difficulty experienced in raising the additional quantity.

Every bounty is also objectionable by its occasioning an artificial distribution of the national capital; but a bounty on manufactured commodities does not increase the quantity of labour required for their production, and of course does not permanently raise their exchangeable value. In this respect, a bounty on raw produce is the most impolitic of any, inasmuch as it not only occasions a faulty distribution of capital, but also raises the cost of production, and consequently the price of the articles produced.

The argument that Smith has brought forward against granting a bounty is, therefore, untenable. The nature of things has not, as he imagined, stamped upon corn an unalterable value. The variations in its value, exclusive of the effects of scarcity, and of extraordinarily luxuriant crops, are sufficiently perceptible at distant periods. The wheat raised at an immense expense from bogs or morasses, must plainly have a greater value than that which is raised from rich alluvial or other superior lands. "It is natural," as Smith has observed, "that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour."

It has been contended that as rent is the difference, or the value of the difference, between the produce obtained, from the best and the worst lands under cultivation, a bounty on exportation must, by forcing recourse to inferior lands, raise rents, and be at all events advantageous to the landlords. But this inference is not correct. The difference between the produce obtained from the best and the worst lands under tillage, abstracting from the influence of improvements, merely constitutes what is called rent in the strict and scientific sense of the term (*ante*, p. 448). Practically, however, the profits of the capital laid out upon the land and incorporated with it, are also included under the term rent, and form in countries like this by far the largest portion of its gross amount; and it is by the aggregate of these two portions, and not by the magnitude of either taken separately, that the rents paid to the landlords are determined. Now admitting that a bounty extends tillage over inferior land, it must also at the same time, and by the same act, increase the difficulty and cost of cultivation, and by consequence, for they are necessarily connected, lower the profits accruing thereon; so that whatever advantage a bounty may, on the one hand, give to the landlords by extending tillage, it will most probably take as much, or perhaps more, from them on the other by reducing profits.

To all the other classes the injurious operation of a bounty is manifest. Farmers are capitalists employing their stock in the cultivation of the land; and though they might reap some little advantage at the first granting of a bounty, from the rise of price it would probably occasion, they would speedily find, supposing the rise to be maintained, that it would be proportioned in the end to the greater cost of production occasioned by the bounty forcing recourse to inferior lands, and that their stock was rendered less productive than formerly. "It is the interest of all capitalists to have the necessaries of life, and consequently corn, amongst the rest, cheap

because their labourers will then be contented with lower wages. A farmer's gain cannot be permanently greater than that of other capitalists. Even during the currency of a lease, a rise in the price of corn is not always an advantage to him; for, if there be a general rise in the price of all other commodities also at the same time, he must give a corresponding increased price for his coats, hats, horses, sheep, cattle, &c.; and unless during the currency of a lease, he has no interest whatever in high prices, because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high for a long period together, when the necessaries of life are dear. A high price of corn, therefore, not only is not beneficial to the farmer as such, but it is positively injurious to him. He is injured in two ways: first as a consumer of corn in common with the rest of the community, by having to consume a dear instead of a cheap commodity; and secondly, he is injured in a still greater degree, as an owner of capital, by being compelled to give high wages to all the labourers he employs."[1] It is nugatory, indeed, to suppose that a measure which tends to increase the cost of production can be advantageous to any class. All improvements have the diminution of cost and price for their object; and if such be not their effect, they have no claim to be called improvements. We have already sufficiently shown the influence of improvements in increasing rent (*ante*, p. 451.)

But supposing the accuracy of these statements to be admitted, it may nevertheless be contended, that a nation which exports an extra quantity of corn by means of a bounty, has a proportionally greater resource in years of scarcity, and that the security thence arising may be more than sufficient to countervail the mischievous influence of the bounty over prices and profits. This idea, however, though plausible, and to a certain extent correct, is in the main fallacious. If the deficiency of the crop did not exceed the ordinary quantity of corn exported, there would not certainly be any considerable rise of price; but if the deficiency exceed that quantity, the situation of an exporting country must evidently be a good deal worse than that of one which regularly imports. In the latter, a slight rise of prices occasions a greater importation than ordinary; but in an exporting country, prices must not only be raised by the whole cost of the carriage from foreign ports, but by an additional sum, sufficient to determine importation into new channels.

Thus a deficiency in the crop of Poland, not exceeding the quantity of corn which she ordinarily exports, would not have any material effect over her prices; but no importation to make up for a larger deficiency could take place into Poland until her prices had risen, not merely higher than ordinary, but decidedly higher than the prices of the countries to which she is in the habit of exporting. Again, in seasons when there is a luxuriant crop in a country exporting by means of a bounty, it operates with double effect, and very little of the surplus is stored up to answer the home consumption in case of future exigencies. By forcing exportation, it hinders, as Dr. Smith has observed, the plenty of one year from relieving the distresses of another, and consequently occasions, in seasons of scarcity, a greater importation than would otherwise be necessary.

Those who compare the prices of corn in this country from 1688 to 1766, during what may be called the period of the bounty, with the prices from 1766 to 1792, when the corn trade was comparatively free, will see that the foregoing conclusions do not depend on theory only, but are consistent with experience.

Assuming, therefore, that the exportation of raw produce should be rendered perfectly free, but that it should not be encouraged by a bounty, we have next to inquire into the policy of restrictions on importation.

SECTION II.

Fluctuations caused by a Restriction on the Importation of Foreign Corn.—Burden imposed by the Corn Laws.—Progress of Improvement.—Potato-rot of 1846.*—Repeal of Corn Laws, and consequences thereof.*

The effect of a restriction on the importation of corn necessarily varies according to the varying situation of different countries. Wherever the soil is good, and the thinness of the population renders it unnecessary to cultivate any but lands of the highest degree of fertility, as in the United States, Poland, Russia &c., a restriction on importation would, in all ordinary cases, be a mere dead letter. But when a restriction is laid on the importation of corn into a country whose population cannot be fed on produce derived from its own soil, without the cultivation of lands inferior in fertility to those cultivated amongst its neighbours, the restriction has a powerful influence over the condition of every class of society.

It would be inexcusable to waste the reader's time by endeavouring to prove, by argument, the advantage of having supplies of food at a low price. To facilitate production, and to make commodities cheaper and more easily obtained, are the principal motives which stimulate the inventive powers, and which lead to the discovery and im-

[1] "Cheap corn best for farmers," p. 23, 2d edition. This tract is ascribed to Henry Drummond, Esq., M.P. founder of the Chair of Political Economy in the University of Oxford.

provements of machines, and processes for saving labour and diminishing cost; and it is plain that no system of commercial legislation deserves to be supported which does not conspire to promote the same objects. But a restriction on the importation of corn into a country which, like England, has made a great comparative advance in population and manufacturing industry, is diametrically opposed to these principles. In consequence of this restriction, and of the density of our population, we have been forced to resort to less fertile soils than those under cultivation in most surrounding countries; so that the average prices of British corn have been comparatively high. But suppose that by exporting 1,000*l.* worth of cotton goods or hardware to Poland or Russia, we may obtain in exchange as much corn as it would require an expenditure of 1,500*l.* to produce on the land last cultivated in this country, what should be said of a law which, by preventing this exchange from being made, should compel us to pay this increased price for our food? Instead of being publicly advantageous, high prices are in every case distinctly and completely the reverse. The smaller the sacrifice for which any commodity can be obtained, so much the better. When the labour required to produce, or the money required to purchase, a sufficient supply of corn is diminished, more labour or money remains to produce or purchase other necessaries, conveniences, or amusements, and the sum of national wealth and comforts is proportionally augmented. Those who suppose that high prices can be a means of really improving the condition of a country, might, with equal reason, suppose that it would be improved by throwing its best soils out of cultivation, and destroying its most powerful machines! The opinions of such persons are not only opposed to the plainest principles of economical science, but they are opposed to the obvious suggestions of common sense, and the universal experience of mankind.

But the increase of prices is not the worst consequence of restricting the importation of corn. The fluctuations it occasions are still more injurious than their enhancement. Now that the freedom of the corn trade is established, our prices can hardly ever differ more than 10*s.* or 12*s.* a quarter from the prices of corn of equal quality in the surrounding countries; for the expense of conveying a quarter of wheat from the United States, Dantzic, Hamburgh, &c. to London, does not exceed that amount. And when prices in one country are governed by the average prices of the surrounding countries, they must necessarily approach much more nearly to a common level than under the restrictive system. The larger the surface from which a country draws its supplies of food, the less likely is it to be injuriously affected by variations of harvests. The weather that is unfavourable to the crops raised in a particular district is most commonly favourable to those raised in districts having a different soil or climate. A failure of the crops throughout an extensive kingdom is a calamity of rare occurrence; and there is no instance of a simultaneous failure of the crops throughout the commercial world. It is observed by Gibbon, that "those famines which so frequently afflicted the infant republic, were seldom or never experienced by the extensive empire of Rome. The accidental scarcity of any single province was immediately relieved by the plenty of its more fortunate neighbour."[1] Holland, during the days of her greatest prosperity, was chiefly fed on imported corn; and prices in Amsterdam were comparatively moderate, and fluctuated less than in any other market of Europe. The experience, in a word, of all ages and nations proves that freedom is the best antidote to those sudden fluctuations in the price of corn that are so exceedingly ruinous to all classes of the community, and most of all to the farmer.

But while the freedom of commerce is productive of plenty, cheapness, and what, perhaps, is of still more importance, steadiness of price, monopoly is "the parent of scarcity, of dearness, and, above all, of uncertainty." When a rich and highly populous country like England excludes foreign produce from her markets, the necessity under which she is placed of resorting to inferior soils for supplies of food, raises her average prices above those of the surrounding countries. Hence, when an unusually luxuriant crop occurs, no portion of the surplus produce can be exported until the home prices have fallen much below their common level. The real object of the corn law of 1815, which prevented the entry of foreign wheat for consumption until the home price reached 80*s.*, was to keep the price steadily up to that level. But the slightest acquaintance with the principles of economical science would have taught the framers of that law that it could not effect the object in view. To maintain prices in any particular country at a forced elevation, it is necessary, not only that foreign corn should, under certain circumstances, be excluded, but that its markets should never be overloaded with corn of its own growth. For, it is clear, according to the principle now explained, that if the supply should, in ordinary years, be sufficient to support the population, it must, in an unusually productive year, be more than sufficient for that purpose; and it is equally clear that, in the event of such a case occurring, its mer-

[1] Decline and Fall, i. 86.

chants could not export any portion of its surplus produce until prices had fallen below the level of the surrounding countries. Now, this was the precise situation of this country at the return of peace in 1815. Agriculture had been so far extended previously to the opening of the ports of Holland in 1814, as to furnish a nearly adequate supply for our consumption. And such being the case, it was obvious that the first luxuriant crop would sink prices; and that the market could not be relieved by exportation, until they had sunk about 50 per cent. under what was then reckoned the lowest growing price!

This principle appears so self-evident and indisputable, that we have no hesitation in saying, there are no good grounds for thinking that the condition of the farmers would have been in any respect more prosperous, had the importation of corn from 1813 down to the present moment been completely prevented. It is not the introduction but the exclusion of foreign corn that occasions revulsions. Nine-tenths of the agricultural distress, of which so much was said during the ten years ending with 1825, may be traced to the operation of the protecting law, as it was most improperly termed, of 1815. The average price of wheat in England and Wales in 1814 was 74*s.* 4*d.* a quarter, and in 1815 it fell to 65*s.* 7*d.* But as these prices would not indemnify the occupiers of the inferior lands brought under tillage during the high prices in the latter years of the war, they were gradually relinquishing their cultivation. A considerable portion of these lands was converted into pasture; rents were generally reduced; and wages had begun to decline: but the legislature having prohibited the importation of foreign corn, the operation of this natural principle of adjustment was unfortunately counteracted, and the price of 1816 rose to 78*s.* 6*d.* And during the next two years the supply, influenced to some extent by the throwing of land out of tillage, but more by bad harvests, was so much diminished that, notwithstanding the increase in the value of money, prices rose in 1817 to 96*s.* 11*d.*, and were, in 1818, 86*s.* 3*d.* These high prices, though ruinous to the rest of the community, revived the drooping spirits of the farmers, who imagined that the corn law was at length beginning to produce the effects anticipated from it; and that the halcyon days of 1812, when wheat sold for 126*s.* a quarter, were about to return! But this prosperity carried in its bosom the seeds of future ruin. The increased prices occasioned a fresh extension of tillage; capital was again applied to the improvement of the soil; and this increase of tillage, conspiring with favourable seasons, and the impossibility of exportation, affected prices to such a degree, that they fell in October 1822 to 38*s.* 1*d.*, the average price of that year being only 44*s.* 7*d.*!

It is nugatory, therefore, to attempt to obviate the recurrence of periods of low prices and agricultural distress by imposing severe restrictions on importation. Freedom is, speaking generally, the only effectual security against injurious vicissitudes. Restrictions, unless they be of the most moderate description, and contrived with great care, occasion the very evils they are said to remove or palliate. If they prevent importation in ordinary years, and raise average prices above the common level, they make exportation in favourable seasons impracticable, till prices have sunk unnaturally low. This is a defect inherent in the exclusive system, which nothing but the adoption of the Dutch plan of destroying a portion of the produce of a plentiful harvest can possibly get rid of! Protection cannot be carried further than monopoly; and monopoly cannot sustain prices in abundant years in countries where the supply and the consumption are nearly balanced, nor prevent the consequent destruction of agricultural capital, and the ruin of great numbers of the agriculturists.

It may therefore, we think, be concluded on unassailable grounds, 1st, That a prohibition of importation into a country that would generally or occasionally import, occasions an increased cultivation of bad land, and, by so doing, tends to raise prices and depress profits; 2d, That such prohibition tends in so far to throw a country on her own resources, and lessens her ability to profit by the provision made by Providence for equalizing the deficiencies in the harvests of particular countries by a corresponding surplus in others; 3d, That the prohibition of importation in ordinary years, by raising the average price of corn to a comparatively high level, renders exportation in a peculiarly abundant year impossible, till prices sink so as to be productive of great agricultural distress; and 4th, That this distress, by defeating the plans of the cultivators, discouraging improvements, and lessening the quantity of land sown, tends materially to diminish the home supply; and when the produce of a year, diminished by these causes, happens also to be diminished by a bad season, the combined influence of the two is most disastrous, and there is both an enormous increase of price, and the severest pressure upon the industrious classes.

Although the corn laws were long, and perhaps still continue to be, approved by the majority of the landlords, it would be unjust not to mention that there has always been a large and respectable party amongst them opposed to all restraints on the trade in corn; and who have uniformly thought that their interests, being identified with those of the public, would be best promoted by the

abolition of restrictions on importation. A protest expressive of this opinion, subscribed by 10 peers, was entered on the Journals of the House of Lords, against the Corn Law of 1815. It is said to have been drawn up by Lord Grenville, an enlightened advocate of sound commercial principles; and its reasoning is so clear and satisfactory, that we believe we shall gratify our readers, as well as strengthen the statements previously made, by laying it before them.

"*Dissentient.*—I. Because we are adverse on principle to all new restraints on commerce. We think it certain that public prosperity is best promoted by leaving uncontrolled the free current of national industry; and we wish rather, by well considered steps, to bring back our commercial legislation to the straight and simple line of wisdom, than to increase the deviation by subjecting additional and extensive branches of the public interest to fresh systems of artificial and injurious restrictions.

"II. Because we think that the great practical rule of leaving all commerce unfettered, applies more peculiarly, and on still stronger grounds of justice as well as policy, to the corn trade than to any other. Irresistible, indeed, must be that necessity which could, in our judgment, authorise the legislature to tamper with the sustenance of the people, and to impede the free purchase of that article on which depends the existence of so large a portion of the community.

"III. Because we think that the expectations of ultimate benefit from this measure are founded on a delusive theory. We cannot persuade ourselves that this law will ever contribute to produce plenty, cheapness, or steadiness of price. So long as it operates at all, its effects must be the opposite of these. Monopoly is the parent of scarcity, of dearness, and of uncertainty. To cut off any of the sources of supply, can only tend to lessen its abundance; to close against ourselves the cheapest market for any commodity must enhance the price at which we purchase it; and to confine the consumer of corn to the produce of his own country, is to refuse to ourselves the benefit of that provision which Providence itself has made for equalising to man the variations of climate and of seasons.

"IV. But whatever may be the future consequences of this law at some distant and uncertain period, we see with pain that these hopes must be purchased at the expense of a great and present evil. To compel the consumer to purchase corn dearer at home than it might be imported from abroad, is the immediate practical effect of this law. In this way alone can it operate. Its present protection, its promised extension of agriculture, must result (if at all) from the profits which it creates by keeping up the price of corn to an artificial level. These future benefits the consequences are expected, but as we confidently believe, erroneously expected, from giving a bounty to the grower of corn, by a tax levied on its consumer.

"V. Because we think the adoption of any permanent law for such a purpose, required the fullest and most laborious investigation. Nor would it have been sufficient for our satisfaction could we have been convinced of the general policy of a hazardous experiment. A still further inquiry would have been necessary to persuade us that the present moment is fit for its adoption. In such an inquiry, we must have had the means of satisfying ourselves what its immediate operation will be as connected with the various and pressing circumstances of public difficulty and distress with which the country is surrounded; with the state of our circulation and currency, of our agriculture and manufactures, of our internal and external commerce, and, above all, with the condition and reward of the industrious and labouring classes of our community.

"On all these particulars, as they respect this question, we think that parliament is almost wholly uninformed: on all we see reason for the utmost anxiety and alarm from the operation of this law.

"Lastly, Because, if we could approve of the principle and purpose of this law, we think that no sufficient foundation has been laid for its details. The evidence before us, unsatisfactory and imperfect as it is, seems to us rather to disprove than to support the propriety of the high price adopted as the standard of importation, and the fallacious mode by which that price is to be ascertained. And on all these grounds we are anxious to record our dissent from a measure so precipitate in its course, and, as we fear, so injurious in its consequences."

Attempts have sometimes been made to estimate the pecuniary burden which the restrictions on importation entailed in ordinary years upon the country. This, however, is a subject with respect to which it was not possible to arrive at any conclusions on which much reliance could be safely placed. The burden differed in different years with the different productiveness of our harvests, and the consequent greater or less excess of our prices over those of the contiguous countries. On the whole, however, the corn laws had become, previously to their repeal, far less oppressive than formerly; and some of the statements in regard to their influence, made in the first edition of this work, in 1828, though warranted at the time, would have appeared in 1846 not a little extravagant. But supposing the total quantity of corn produced in the United Kingdom to have amounted, during the half dozen years ending with that year, to about 60,000,000 quarters, it is plain that every shilling added to its price by the corn laws was equivalent to a tax on corn of 3,000,000*l.*; and estimating the average rise on all sorts of grain at 6*s.* a quarter, the total sum will be 18,000,000*l.* So great a quantity of corn is, however, consumed by the agriculturists themselves in food, seed, the keep of horses, &c., that not more than the half, perhaps, of the whole quantity produced is brought to

market. And if we be nearly right in this hypothesis, and in the previous estimate, it will follow that the restrictions cost the classes not engaged in agriculture no less, perhaps, than 9,000,000*l.*, exclusive of their other pernicious consequences. Of this sum from a *fifth* to a *fourth* part, or from 1,800,000*l.* to 2,250,000*l.* may have gone to the landlords as rent; and this is *all* that the agriculturists can be said to have gained by the system, for the additional price received by the farmers for that portion of the produce that is exclusive of rent was no more than the ordinary return for the greater capital and labour expended on the cultivation of inferior lands. Their profits, indeed, instead of being increased by the system, were, as already seen, really diminished by it; and though it added nominally to the rent of the landlords, the fluctuations it occasioned, rendered it as injurious to them as to the other classes.

Despite the restrictions on importation, the prices of corn were comparatively reasonable during the dozen years ending with 1845. This was a consequence of the improvement of agriculture subsequently to 1820 or 1825, occasioned by the better drainage of the land, the application of bone manure and guano, the extension of the turnip culture, &c. Hence, notwithstanding the increase of population, the prices of corn in this country were gradually approximating to those of the continent, and a conviction began to gain ground that the repeal of the corn laws would be much less injurious to agriculture than had been anticipated. An association having that repeal for its object was also organized in the manufacturing districts, and was supported with singular talent and zeal. But though it was obvious that their fall would eventually take place, it might have been delayed for a considerably longer period but for the potato rot that took place in Ireland in 1846 and 1847. This failure of the crop on which the Irish peasantry principally depended, unavoidably led to a suspension of the restrictions on importation, and it would have been very difficult, in the then temper of the country, to have effected their restoration. But the minister, Sir Robert Peel, had no desire to make any such attempt. Having become satisfied of the impolicy of the corn laws, he availed himself of the crisis that had occurred to effect their abolition, a measure which in other circumstances he could hardly have expected to carry.

During the discussions in regard to the corn laws it had been contended that agriculture was more heavily taxed than either manufacturing or commercial employments, and that, in the event of the ports being open to foreign corn, such a duty should be laid on it as might suffice to countervail the excess of taxation falling on the land. There cannot, we apprehend, be any doubt that the fact and the inference drawn from it were as stated. But both the one and the other were stoutly denied. And supposing that it had been generally admitted that the land was burdened by an extra amount of taxation, it was difficult to specify its amount, or the amount of the duty that would have been required to neutralize its effect. It is indeed abundantly certain that at whatever sum the latter might have been fixed, it would have furnished an inexhaustible topic for misrepresentation and abuse. No doubt, therefore, Sir Robert Peel judged wisely in making an end of the matter by opening the ports to importation at all times under a merely nominal duty of 1*s.* a quarter.

This measure has been in all respects successful. It can no longer be said that the price of food is enhanced by our legislation; and the interests of all classes of producers are now admitted, on all hands, to be, as they always have been, identical. Agriculture has also rapidly advanced. Previously to 1846 the efforts of the farmers were too much directed to the culture of corn; but since that date the more extensive growth of animal products, occasioned by the increased demand for butchers' meat and wool, coupled with the extension of drainage and green cropping, has given an extraordinary stimulus to agriculture. Except on the heaviest clay lands, which are ill-suited for the turnip husbandry, rents have everywhere been considerably increased. It is, indeed, certain that agriculture has made a greater progress since the abolition of the corn laws than it ever made in any previous period of equal duration.

The more, indeed, that these matters are inquired into, the more clearly it will appear that there is not at bottom any real opposition between the interests of the owners of land and those of the other classes. To borrow the just and forcible expressions of Sir Josiah Child:—"Land and trade are twins, and have always, and ever will, wax and wane together. It cannot be ill with trade but land will fall, nor ill with land but trade will feel it." To those who take a merely superficial view of the question, their interests may seem to be opposed; but those who look ever so little below the surface, and reflect on the motives which stimulate the different classes to industry and enterprise, will be satisfied that they are really identical. What is the genuine, and, indeed, only effectual encouragement of agriculture? What is it that stimulates the occupiers to adopt the best system of cultivation and to raise the largest crops? Does any one doubt that it is the demand of the other classes for their peculiar products?

Flourishing manufactures and commerce are indispensable to a flourishing agriculture. To suppose that the latter should exist without the former, is to suppose that men may be industrious without a motive—that there may be an effect without a cause. But we have seen that the artificial enhancement of the price of corn lessens the rate of profit, and the power to accumulate capital, at the same time that it occasions its transfer to other countries. It is, therefore, exceedingly injurious to the buyers of corn, that is, to

those classes whose prosperity is essential to the prosperity of the agriculturists. Hence it is obvious that any advantage gained in the first instance by the landlords from restrictions on importation, can only be evanescent and illusory. It may be compared to the influence of doses of brandy or opium on the human body, which while they intoxicate and exhilarate, enfeeble the constitution, and occasion premature old age and death.

TABLES OF THE PRICES AND IMPORTS OF CORN.

No. I.—Account of the Prices of Middling or Mealing Wheat per Quarter, at Windsor Market, as ascertained by the Audit Books of Eton College, from 1726 to 1820, both inclusive.*

Years.	Prices of Wheat at Windsor, Nine Gallons to the Bushel.	Prices of Wheat reduced to the Winchester Bushel of Eight Gallons.	Average of Ten Years according to the Winchester Bushel of Eight Gallons.	Years.	Prices of Wheat at Windsor, Nine Gallons to the Bushel.	Prices of Wheat reduced to the Winchester Bushel of Eight Gallons.	Average of Ten Years according to the Winchester Bushel of Eight Gallons.
	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.
1726	2 6 0	2 0 10¾		1774	3 2 0	2 15 1¼	
1727	2 2 0	1 17 4		1775	2 17 8	2 11 3¼	2 11 3¾
1728	2 14 6	2 8 5¼		1776	2 8 0	2 2 8	
1729	2 6 10	2 1 7½		1777	2 15 0	2 8 10¾	
1730	1 16 6	1 12 5¼		1778	2 9 6	2 4 0	
1731	1 12 10	1 9 2¼		1779	2 0 8	1 16 1¾	
1732	1 6 8	1 3 8½		1780	2 8 6	2 3 1¼	
1733	1 8 4	1 5 2¼		1781	2 19 0	2 12 5¼	
1734	1 18 10	1 14 6¼		1782	3 0 6	2 13 9¼	
1735	2 3 0	1 18 2¾		1783	3 1 0	2 14 2¾	
1736	2 0 4	1 15 10¼	1 15 2	1784	3 0 6	2 13 9¼	
1737	1 18 0	1 13 9¼		1785	2 14 0	2 8 0	
1738	1 15 6	1 11 6¾		1786	2 7 6	2 2 2¾	2 7 8½
1739	1 18 6	1 14 2¾		1787	2 11 6	2 5 9¾	
1740	2 10 8	2 5 1½		1788	2 15 6	2 9 4	
1741	2 6 8	2 1 5¾		1789	3 3 2	2 16 1¾	
1742	1 14 0	1 10 2¾		1790	3 3 2	2 16 1¾	
1743	1 4 10	1 2 1		1791	2 15 6	2 9 4	
1744	1 4 10	1 2 1		1792†		2 13 0	
1745	1 7 6	1 4 5¼	1 12 1	1793		2 15 8	
1746	1 19 0	1 14 8		1794		2 14 0	
1747	1 14 10	1 10 11½		1795		4 1 6	2 14 3¾
1748	1 17 0	1 12 10¾		1796		4 0 2	
1749	1 17 0	1 12 10¾		1797		3 2 0	
1750	1 12 6	1 8 10¾		1798		2 14 0	
1751	1 18 6	1 14 2¾		1799		3 15 8	
1752	2 1 10	1 17 2¼		1800		6 7 0	
1753	2 4 8	1 19 8½		1801		6 8 6	
1754	1 14 8	1 10 9¾		1802		3 7 2	
1755	1 13 10	1 10 1		1803		3 0 0	
1756	2 5 2	2 0 1¾	1 13 2¾	1804		3 9 6	
1757	3 0 0	2 13 4		1805		4 8 0	4 1 2½
1758	2 10 0	2 4 5¼		1806		4 3 0	
1759	1 19 8	1 15 8		1807		3 18 0	
1760	1 16 6	1 12 5¼		1808		3 19 2	
1761	1 10 2	1 6 9¾		1809		5 6 0	
1762	1 19 0	1 14 8		1810		5 12 0	
1763	2 0 8	1 16 1¾		1811		5 8 0	
1764	2 6 8	2 1 5¾		1812		6 8 0	
1765	2 14 0	2 8 0	1 19 3¾	1813		6 0 0	
1766	2 8 6	2 3 1¼		1814		4 5 0	
1767	3 4 6	2 17 4		1815		3 16 0	4 17 6
1768	3 0 6	2 13 9¼		1816		4 2 0	
1769	2 5 8	2 0 7		1817		5 16 0	
1770	2 9 0	2 3 6¾		1818		4 18 0	Average of
1771	2 17 0	2 10 8		1819		3 18 0	5 Years.
1772	3 6 0	2 18 8		1820		3 16 0	4 10 0
1773	3 6 6	2 19 1¼					

* For the previous part of this Table, see p. 118.

† From this year, inclusive, the account at Eton College has been kept according to the bushel of eight gallons under the provision of the act of 31st Geo. III. c. 30. sect. 82.

II.—Account of the Average Prices of British Corn per Imperial Quarter, in England and Wales, since 1771, as ascertained by the Receiver of Corn Returns.

Years.	Wheat.			Barley.			Oats.			Rye.			Beans.			Peas.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1771	2	8	7	1	6	5	0	17	2	1	15	4	1	9	4	—		
1772	2	12	3	1	6	1	0	16	8	1	17	9	1	10	11	—		
1773	2	12	7	1	9	2	0	17	8	1	14	4	1	14	0	—		
1774	2	14	3	1	9	4	0	18	4	1	15	4	1	12	1	—		
1775	2	9	10	1	6	9	0	17	0	1	13	10	1	9	6	—		
1776	1	19	4	1	0	9	0	15	5	1	7	8	1	7	3	—		
1777	2	6	11	1	1	1	0	16	1	1	8	10	1	9	4	—		
1778	2	3	3	1	3	4	0	15	7	1	9	2	1	8	6	—		
1779	1	14	8	1	0	1	0	14	5	1	4	0	1	4	11	—		
1780	1	16	9	0	17	6	0	13	2	1	2	10	1	2	10	—		
1781	2	6	0	0	17	8	0	14	1	1	7	8	1	3	8	—		
1782	2	9	3	1	3	2	0	15	7	1	9	8	1	6	9	—		
1783	2	14	3	1	11	3	1	0	5	1	16	9	1	15	11	—		
1784	2	10	4	1	8	8	0	18	10	1	13	2	1	13	2	—		
1785	2	3	1	1	4	9	0	17	8	1	8	10	1	11	7	—		
1786	2	0	0	1	5	1	0	18	6	1	8	0	1	14	2	—		
1787	2	2	5	1	3	4	0	17	2	1	8	6	1	12	9	—		
1788	2	6	4	1	2	8	0	16	1	1	8	6	1	8	0	—		
1789	2	12	9	1	3	6	0	16	6	1	10	9	1	8	0	—		
1790	2	14	9	1	6	3	0	19	5	1	15	0	1	11	11	—		
1791	2	8	7	1	6	10	0	18	1	1	12	7	1	11	5	1	13	2
1792	2	3	0	1	6	9	0	16	9	1	9	10	1	11	7	1	12	4
1793	2	9	3	1	11	1	1	0	6	1	16	2	1	17	6	1	19	11
1794	2	12	3	1	11	9	1	1	3	1	17	5	1	19	3	2	8	5
1795	3	15	2	1	17	5	1	4	5	—			—			—		
1796	3	18	7	1	15	4	1	1	10	—			—			—		
1797	2	13	9	1	7	2	0	16	3	—			—			—		
1798	2	11	10	1	9	0	0	19	5	—			—			—		
1799	3	9	0	1	16	2	1	7	6	—			—			—		
1800	5	13	10	2	19	10	1	19	4	—			—			—		
1801	5	19	6	3	8	6	1	17	0	—			—			—		
1802	3	9	10	1	13	4	1	0	4	—			—			—		
1803	2	18	10	1	5	4	1	1	6	—			—			—		
1804	3	2	3	1	11	0	1	4	3	—			—			—		
1805	4	9	9	2	4	6	1	8	4	—			—			—		
1806	3	19	1	1	18	8	1	7	7	—			—			—		
1807	3	15	4	1	19	4	1	8	4	—			—			—		
1808	4	1	4	2	3	5	1	13	4	—			—			—		
1809	4	17	4	2	7	0	1	11	5	—			—			—		
1810	5	6	5	2	8	1	1	8	7	2	19	5	2	14	4	2	16	11
1811	4	15	3	2	2	3	1	7	7	2	8	4	2	9	4	2	13	11
1812	6	6	6	3	6	9	2	4	6	3	18	7	3	14	7	3	16	10
1813	5	9	9	2	18	6	1	18	6	3	11	11	3	16	4	4	1	11
1814	3	14	4	1	17	4	1	5	8	2	4	8	2	6	2	2	11	10
1815	3	5	7	1	10	3	1	3	7	1	18	1	1	16	2	1	19	4
1816	3	18	6	1	13	11	1	7	2	2	5	1	1	19	4	1	19	10
1817	4	16	11	2	9	4	1	12	5	2	18	3	2	11	7	2	13	4
1818	4	6	3	2	13	10	1	12	5	2	15	4	3	3	7	3	1	9
1819	3	14	6	2	5	9	1	8	2	2	9	6	2	14	1	2	16	1
1820	3	7	10	1	13	10	1	4	2	2	2	0	2	3	3	2	5	10
1821	2	16	1	1	6	0	0	19	6	1	12	0	1	10	11	1	12	8
1822	2	4	7	1	1	10	0	18	1	1	0	10	1	4	5	1	6	4
1823	2	13	4	1	11	6	1	2	11	1	11	10	1	13	1	1	14	11
1824	3	3	11	1	16	4	1	4	10	2	1	5	2	0	0	2	0	7
1825	3	8	6	2	0	0	1	5	8	2	2	3	2	2	9	2	5	4
1826	2	18	8	1	14	4	1	6	8	2	1	1	2	4	3	2	7	7
1827	2	18	6	1	17	7	1	8	2	2	0	2	2	9	0	2	9	0
1828	3	0	5	1	12	10	1	2	6	1	14	2	1	18	4	2	0	6
1829	3	6	3	1	12	6	1	2	9	1	14	10	1	16	8	1	16	8
1830	3	4	3	1	12	7	1	4	5	1	15	10	1	16	1	1	19	2
1831	3	6	4	1	18	0	1	5	4	2	0	0	1	19	10	2	1	11
1832	2	18	8	1	13	1	1	0	5	1	14	7	1	15	4	1	17	0
1833	2	12	11	1	7	6	0	18	5	1	12	11	1	13	2	1	16	5
1834	2	6	2	1	9	0	1	0	11	1	12	9	1	15	3	1	19	4

Years.	Wheat.	Barley.	Oats.	Rye.	Beans.	Peas.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1835	1 19 4	1 9 11	1 2 0	1 10 4	1 16 11	1 16 6
1836	2 8 6	1 12 10	1 3 1	1 13 4	1 19 1	1 18 4
1837	2 15 10	1 10 4	1 3 1	1 14 9	1 18 7	1 17 6
1838	3 4 7	1 11 5	1 2 5	1 15 1	1 16 8	1 17 2
1839	3 10 8	1 19 6	1 5 11	2 2 0	2 1 3	2 1 2
1840	3 6 4	1 16 5	1 5 8	1 17 0	2 3 5	2 2 5
1841	3 4 4	1 12 10	1 2 5	1 16 9	1 19 10	2 0 4
1842	2 17 3	1 7 6	0 19 3	1 13 0	1 12 5	1 12 11
1843	2 10 1	1 9 6	0 18 4	1 10 7	1 9 2	1 11 1
1844	2 11 3	1 13 8	1 0 7	1 13 11	1 14 5	1 13 5
1845	2 10 10	1 11 8	1 2 6	1 12 6	1 18 11	1 18 8
1846	2 14 8	1 12 8	1 3 8	1 15 0	1 19 0	1 19 0
1847	3 9 9	2 4 2	1 8 8	2 9 0	2 10 6	2 11 6
1848	2 10 6	1 11 6	1 0 6	1 10 5	1 16 9	1 19 1
1849	2 4 3	1 7 9	0 17 6	1 5 8	1 10 2	1 11 2
1850	2 0 3	1 3 5	0 16 5	1 3 3	1 6 10	1 7 4
1851	1 18 6	1 4 9	0 18 7	1 5 6	1 8 7	1 7 2
1852	2 0 9	1 8 6	0 19 1	1 9 10	1 12 3	1 10 7
1853	2 13 3	1 13 2¾	1 1 0	1 15 0½	2 0 1	1 18 6½
1854	3 12 5	1 16 0	1 7 11	2 5 10	2 7 3¾	2 5 7¾
1855	3 14 8¾	1 14 9	1 7 5¾	2 5 8	2 6 6¾	2 3 4
1856	3 9 2½	2 1 1½	1 5 2½	2 5 0	2 3 11½	2 1 7½
1857	2 16 4¾	2 2 1¾	1 5 0½	1 18 3½	2 3 0½	2 1 4
1858	2 4 2¾	1 14 8¾	1 4 6½	1 12 3¾	2 1 11	2 2 11
1859	2 3 9¾	1 13 6	1 3 2½	1 12 4¾	2 2 3½	1 19 8¾
1860	2 18 3	1 16 7½	1 4 5	1 16 3	2 4 8	2 0 6½
1861	2 15 4	1 16 1	1 3 9½	1 15 9¾	2 2 5	2 1 2
1862	2 15 5½	1 15 1½	1 2 7½	1 16 4	1 19 11	2 0 2¾

N.B.—The Imperial bushel contains 2218·192 cubic inches, the Winchester bushel 2150·42 do., the former being about one-thirty-secondth part larger than the latter.—SEE BUSHEL, and WEIGHTS and MEASURES.

III.—Account showing the Quantities in Imperial Quarters of the different Varieties of Corn and Grain; Flour and Meal, imported into the United Kingdom in 1860 and 1861; stating the Countries whence the same were brought, and the Quantities brought from each.

COUNTRIES WHENCE IMPORTED.	Corn, Grain, Meal, and Flour, imported into the United Kingdom.								
	Wheat and Wheat Flour.	Barley and Barley Meal.	Oats and Oatmeal.	Rye and Rye Meal.	Pease and Pease Meal.	Beans and Bean Meal.	Indian Corn and Meal.	All other Varieties.	Aggregate of Corn, Grain, Meal, and Flour.
1860:	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.
Russia, N. Ports	223,296	26,913	892,174	23,007	13,893	2	- -	8	1,179,288
Russia, S. Ports	1,082,803	128,475	87,844	27,033	7,894	37	259,461	- -	1,593,547
Sweden - -	32,930	147,768	554,370	698	8,931	523	- -	3,077	748,207
Denmark, and the Duchies.	272,758	423,780	191,540	4,516	5,102	6,740	- -	860	905,296
Prussia - -	1,151,802	238,523	229,559	24,497	114,011	14,884	- -	- -	1,768,276
Hanse Towns -	252,337	211,897	35,490	826	5,231	15,384	385	1	521,551
Other parts of Germany.	188,485	8,115	79,669	- -	2,804	11,652	- -	- -	290,725
Holland - -	29,952	79,064	94,244	1,049	813	8,863	- -	32	214,907
France - -	1,052,900	187,250	19,614	2	384	70,845	150,159	15,267	1,446,421
Spain - -	125,779	- -	- -	2	73	194	1	- -	126,049
Italian States -	87,038	9,588	8,869	- -	- -	923	21,094	- -	127,512
Wallachia and Moldavia.	97,400	539,826	10,396	12,194	- -	- -	656,054	- -	1,315,870
Turkish Dominions, including Syria.	66,599	129,392	3,600	1,907	1	- -	260,619	- -	462,118
Egypt - -	198,124	22,595	1	- -	2,310	221,286	32,130	- -	476,446
British N. A. -	301,324	126	68,483	- -	121,513	- -	2,956	- -	494,102
U.S., including California.	2,143,451	1,561	16,691	- -	29,737	2	432,656	7	2,624,005
Other Countries, collectively.	27,186	12,090	25,920	6,573	1,507	88,509	88,571	- -	200,356
TOTAL IMPORT	7,334,164	2,112,963	2,318,464	102,214	314,204	439,834	1,853,986	19,247	14,[illegible]976

III.—Account showing the Quantities, in Imperial Quarters, of the different Varieties of Corn, &c. imported—*continued.*

COUNTRIES WHENCE IMPORTED.	Corn, Grain, Meal, and Flour, imported into the United Kingdom.								
	Wheat and Wheat Flour.	Barley and Barley Meal.	Oats and Oatmeal.	Rye and Rye Meal.	Pease and Pease Meal.	Beans and Bean Meal.	Indian Corn and Meal.	All other Varieties.	Aggregate of Corn, Grain, Meal, and Flour.
1861:	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.	Qrs.
Russia, Northern Ports.	162,504	7,712	490,750	3,086	10,308	- -	- -	11	674,371
Russia, Southern Ports.	885,239	216,702	23,952	29,763	3,003	46	123,422	- -	1,282,127
Sweden - -	15,310	44,841	549,475	3	1,163	25	- -	- -	610,817
Denmark, and the Duchies.	233,973	262,749	299,211	3,253	1,185	9,058	- -	520	810,849
Prussia - -	1,029,805	172,437	154,362	12,255	149,305	11,408	3,211	- -	1,532,783
Hanse Towns -	294,034	130,509	31,339	1,574	3,234	25,312	2,045	432	489,079
Other parts of Germany.	133,491	908	86,599	26	1,056	19,460	- -	97	241,637
Holland - -	11,734	29,608	114,975	- -	499	5,145	5	25	161,991
France - -	312,553	66,565	2,563	- -	165	20,631	17,496	242	420,215
Spain - - -	298,082	- -	- -	- -	24	1,258	1,479	- -	300,843
Italian States -	236,405	10,491	50	- -	- -	13,700	82,453	- -	343,099
Wallachia and Moldavia.	136,498	176,380	- -	2,642	- -	- -	310,423	- -	625,943
Turkish Dominions, including Syria.	94,910	187,835	- -	1,630	- -	3,010	561,019	- -	849,304
Egypt - -	340,260	87,828	- -	- -	1,373	374,810	62,078	- -	866,349
British North America - -	779,622	573	104,804	- -	185,336	- -	118,482	22	1,188,839
United States, including California.	3,591,991	520	36,936	319	42,505	74	1,725,710	121	5,398,176
Other Countries, collectively.	114,386	4,743	19,240	- -	645	74,795	84,631	... 2	298,492
TOTAL IMPORT	8,670,797	1,400,401	1,914,256	54,551	399,801	560,532	3,093,104	1,472	16,094,914

Elaborate tables of the prices of corn have been published by Fleetwood in his *Chronicon Pretiosum*, 8vo., 1745; by Combrune (anonymously), in an Inquiry into the Prices of Wheat, Malt, &c., folio, 1765; and in Smith's Tracts on the Corn Trade, Eden's State of the Poor, Tooke's History of Prices, and other publications. The Parl. Paper, No. 443, Sess. 1849, contains full details with respect to the imports, exports, prices, &c., of the different varieties of corn and grain, flour and meal, from 1692 to 1848, both inclusive. We may observe that but little reliance can be safely placed on the returns of prices at remote periods, or in the reigns preceding the accession of the Stuarts.

NOTE XI.

CREDIT.

Definition and Growth of Credit—Modes in which it contributes to facilitate production.

CREDIT is the term used to designate the lending or transference of capital or wealth by one individual to another. The party who lends is said to give credit, and he who borrows to get or receive credit.

In the earlier stages of society credit is in great measure unknown. This is a consequence partly of very little capital being then accumulated, and partly of government not having the means, or not being sufficiently careful to enforce that punctual attention to engagements so indispensable to the existence of confidence or credit. But as society advances, capital is gradually accumulated, and the observance of contracts is enforced by the public authority. Credit then begins to grow up. On the one hand, individuals who have either more capital than they can conveniently employ, or who are desirous of withdrawing from business, are disposed to lend, or transfer a part or the whole of their capital to others, on condition of their obtaining a certain stipulated premium or interest for its use, and what they consider sufficient security for its repayment; and, on the other hand, there are always individuals to be met with disposed to borrow, partly and principally to extend their businesses beyond the limits to which they can be carried by means of their own capital, or to purchase commodities on speculation, and partly to defray debts already contracted.

These different classes of individuals mutually accommodate each other. Those desirous of being relieved from the fatigues of business find it very convenient to lend their capital to others; while those who are anxious to enlarge their businesses obtain the means of prosecuting them to a greater extent.

It is in the effects resulting from this transference of capital, from those who are willing to lend to those who are desirous to borrow, that we must seek for the advantages derivable from credit. All the operations supposed to be carried on by its agency, how extensive and complicated soever they may appear, originate in a change in the actual holders or employers of stock. Nothing, indeed, is more common than to hear it stated that this, that, and the other undertaking is carried on by means of credit. But this is an entire mistake. Wealth cannot be produced, nor can any sort of industrial undertaking be entered upon or completed without the aid of labour or capital; and credit is neither the one nor the other. All that it can do, and all that it ever does, is to transfer capital from one individual to another, a transfer which it is probable will make it be employed to greater advantage. A few remarks will render this apparent.

It is plain that to whatever extent the power of the borrower of a quantity of produce, or of a sum of money, to extend his business may be increased, that of the lender must be equally diminished. The same portion of capital cannot be employed by two individuals at the same time. If A transfer his capital to B, he necessarily by so doing deprives himself of a power or capacity of production which B acquires. It may be presumed that this capital will be more productively employed by B than by A; for the fact of A having lent it shows that he either had no means of employing it advantageously, or was disinclined to take the trouble; while the fact of B having borrowed it shows that he conceives that he can advantageously employ it, or that he can invest it so as to make it yield an interest to the lender and a profit for himself. It is obvious, however, that except in so far as credit may thus bring capital into the possession of those who employ it most beneficially, it contributes nothing to the increase of wealth.

The most common method of making a loan is by selling commodities on credit, or on condition that they shall be paid at some future period. The price is increased proportionally to the length of credit given; and if any doubt be entertained with respect to the punctuality or solvency of the buyer, a farther sum is added to the price, to cover the risk that the seller or lender runs of not recovering the price, or of not recovering it at the stipulated period. This is the usual method of transacting business where capital is abundant and confidence general; and there is no manner of doubt that the amount of property lent in Great Britain, Holland, and other commercial countries, in this way, is decidedly greater than *all* that is lent in all other ways.

When produce is sold in the way now described, it is usual for the buyers to give bills to the sellers for the price payable at the expiration of the credit; and it is in the effects growing out of the negotiation of these bills that much of that "magical" influence that has sometimes been ascribed to credit is believed to consist. Suppose, to illustrate this, that a paper maker A sells to a printer B a quantity of paper, and that he gets his bill for the sum payable at 12 months after date: B could not have entered into the transaction had he been obliged to pay ready money; but A, notwithstanding he has occasion for the money, is enabled by the facility of negotiating or discounting bills, to give the requisite credit, without disabling himself from prosecuting his business. In a case like this, both parties are said to be supported by credit; and as cases of this sort are exceedingly common, it is contended that half the business of the country is carried on by its means. All, however, that such statements really amount to is, that a large proportion of those engaged in industrial undertakings do not employ their own capital merely, but, also, that of others. In the case in question, the printer employs the capital of the paper maker, and the latter employs that of the banker or broker who discounted the bill. This person had, most likely, the amount in spare cash lying beside him which he might not well know what to make of; but the individual into whose hands it has come, will immediately apply it to useful purposes, or to the purchase of the materials, or the payment of the wages of the workmen employed in his establishment. It is next to certain, therefore, that the transaction will be advantageous. But still it is essential to bear in mind that it will be so, not because credit is of itself a means of production, or because it can give birth to capital not already in existence; but because, through its agency, capital finds its way into those channels in which, speaking generally, it has the best chance of being profitably employed.

The real advantage derived from the use of bills and bank notes as money, consists, as will be afterwards seen, in the substitution of so cheap a medium of exchange as paper, in the place of one so expensive as gold, and in the facilities which they give to the transacting of commercial affairs. If a banker lend A a note for 100*l.* or 1000*l.*, he will be able to obtain an equivalent portion of the land or produce of the country in exchange for it; but that land or produce was already in existence. The issue of the note did not give it birth. It was previously in some one's possession; and it will depend wholly on the circumstance of A's employing it more or less advantageously than it was previously employed, whether the transaction will, in a public point of view be profitable or not. On analysing any case of this kind, we shall invariably find

that all that the highest degree of credit or confidence can do, is merely to change the distribution of capital, to transfer it from one class to another. Occasionally, too, these transfers are productive of injurious results, by bringing capital into the hands of spendthrifts; this, however, is not a very common effect; and it may be safely assumed that they are in the great majority of instances undoubtedly beneficial.

The following extract from the evidence of Mr. Ricardo before the committee appointed by the House of Lords in 1819, to inquire into the expediency of the resumption of cash payments by the Bank of England, sets the principles we have been endeavouring to establish in a clear point of view.

"Do you not know," Mr. Ricardo was asked "that when there is a great demand for manufactures, the very credit which that circumstance creates enables the manufacturer to make a more extended use of his capital in the production of manufactures?" To this Mr. Ricardo answered, "I have no notion of credit being at all effectual in the production of commodities; commodities can only be produced by labour, machinery, and raw materials; and if these are to be employed in one place, they must necessarily be withdrawn from another. Credit is the means, which is alternately transferred from one to another, to make use of capital actually existing; it does not create capital, it determines only by whom that capital shall be employed; the removal of capital from one employment to another may often be very advantageous; and it may also be very injurious."

Mr. Ricardo was then asked, "May not a man get credit from a bank on the security of his capital which is profitably employed; whether vested in stock or land? And may he not, by means of that credit, purchase or create an additional quantity of machinery or raw materials, and pay an additional number of labourers, without dislodging capital from any existing employment in the country?" To this Mr. Ricardo answered, "Impossible! an individual can purchase machinery, &c., with credit; he can never create them. If he purchase it is always of some one else, and consequently he displaces some other from the employment of capital." (Lords Report, p. 192.)

NOTE XII.

NAVIGATION LAWS.

Rise of the Navigation Laws.—Influence ascribed to them.—Modification of these Laws in 1825.—Abolition, in 1849, of the Navigation Laws relating to Foreign Trade, and in 1854 of those relating to the Coasting Trade.

THE origin of the Navigation Laws of England may be traced to the reign of Richard II., or perhaps to a still more remote period. But as no intelligible account of the varying and contradictory enactments framed at so distant an epoch could be compressed within any reasonable space, it is sufficient to observe, that, in the reign of Henry VII., two of the leading principles of the navigation law were distinctly recognized, in the prohibition of the importation of certain commodities, unless imported in English ships manned by English seamen. In the early part of the reign of Elizabeth (5 Eliz. cap. 5.) foreign ships were excluded from the fisheries and coasting trade. The republican parliament gave a great extension to the navigation laws, by the act of 1650, which prohibited all ships, of all foreign nations whatever, from trading with the plantations in America, without having previously obtained a licence. These acts, however, were rather intended to regulate the trade between the different ports and dependencies of the empire than that carried on with foreigners. But in the following year (9th of October 1651,) the republican parliament passed the famous *Act of Navigation*. This act had a double object. It was intended not only to promote our own navigation, but also to strike a decisive blow at the naval power of the Dutch, who then engrossed almost the whole carrying trade of the world, and against whom various circumstances had conspired to incense the English. The act in question declared, that no goods or commodities whatever, of the growth, produce, or manufacture of Asia, Africa, or America, should be imported into England or Ireland, or any of the plantations, except directly in ships belonging to English subjects, and of which the master and the greater number of the crew were Englishmen. Having thus secured the import trade of Asia, Africa, and America, to the English shipowners, the act went on to secure to them, as far as that was possible, the import trade of Europe. For this purpose, it enacted that no goods of the growth, produce, or manufacture of any country in Europe should be imported into Great Britain, except in British ships, or in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, exported. The latter part of the clause was entirely levelled against the Dutch, who had but little native produce to export, and whose ships were principally employed in carrying the produce of other countries to foreign markets. Such were the leading provisions of this famous act. They were adopted by the regal government which succeeded Cromwell, and form the basis of the act 12 Charles II., cap. 18, which continued, down to 1825, to be the rule by which our naval intercourse

with other countries was mainly regulated; and which has been pompously designated the *Charta Maritima* of England!

In the statute 12 Charles II. cap. 18, the clause against importing foreign commodities, except in British ships, or in ships of the country or place where the goods were produced, or from which they were exported, was so far modified that the prohibition was made to apply only to the goods of Russia and Turkey, and to certain articles, since well known in commerce by the name of *enumerated* articles, leave being at the same time given to import all other articles in ships of any description. But this modification was of very little importance, inasmuch as the enumerated articles comprised all that were of most importance in commerce, as timber, grain, tar, hemp and flax, potashes, wines, spirits, sugar, &c. Parliament seems, however, to have very speedily come round to the opinion that too much had been done in the way of relaxation; and in the 14th Charles II. a supplemental statute was passed, avowedly with the intention of obviating some evasions of the statute of the preceding year, practised, as was alleged, by the Hollanders and Germans. This, however, seems to have been a mere pretence, to excuse the desire to follow up the blow aimed by the former statute at the carrying trade of Holland. And such was our jealousy of the naval and commercial greatness of the Dutch, that, in order to cripple it, we did not hesitate totally to proscribe all trade with them; and, to prevent the possibility of fraud, or of clandestine or indirect intercourse with Holland, we went so far as to include the commerce with the Netherlands and Germany in the same proscription. The statute of the 14th of Charles II. prohibited all importation from these countries, of a long list of enumerated commodities, under any circumstances, or in any vessels, whether British or foreign, under penalty of seizure and confiscation of the ships and goods. So far as it depended on us, Holland, the Netherlands, and Germany, were virtually placed without the pale of the commercial world! And though the extreme rigour of this statute was subsequently modified, its principal provisions remained in full force until the late alterations.

The policy if not the motives which dictated these statutes has met with very general eulogy. Dr Smith has not hesitated to say, that national animosity did, in this instance, that which the most deliberate wisdom would have recommended. "When the act of navigation was made," says he, "though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act, and it broke out soon after in the Dutch wars during that of the protector and of Charles II. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England. The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and sell as dear as possible. But the act of navigation, by diminishing the number of sellers, must necessarily diminish that of buyers; and we are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England." (*Antè*, p. 204.)

It may, however, be very fairly doubted, whether, in point of fact, the navigation law really weakened the naval power of the Dutch, and increased that of this kingdom. The Dutch were very powerful at sea long after the passing of this act; and it seems natural to conclude, that the decline of their maritime preponderance was owing rather to the gradual increase of commerce and navigation in other countries, and to the disasters and burdens occasioned by the ruinous contests the republic had to sustain with Cromwell, Charles II., and Louis XIV., than to the exclusion of their merchant vessels from the ports of England. It is not, however, meant to say, that this exclusion was altogether without effect. The efforts of the Dutch to procure a repeal of the English navigation law, show that, in their apprehension, it operated injuriously on their commerce.[1] But it is certain, that its influence in this respect has been greatly overrated. Excessive taxation, and not our navigation law, was the principal cause of the fall of profits, and of the decline of manufactures, commerce, and navigation in Holland. "Les guerres," says the well-informed author of the *Commerce de la Hollande*, "terminées par les traités de Nimegue, de Ryswick, d'Utrecht, et enfin la dernière par le traité d'Aix la Chapelle, ont successivement obligé la République de faire usage d'un grand crédit, et de faire des emprunts

[1] In the treaty of Breda, agreed upon in 1667, between the States General and Charles II., the latter undertook to procure the repeal of the navigation law. But the subject was never agitated in either house of parliament.

énormes pour en soutenir les frais. Les dettes ont surchargé l'état d'une somme immense d'intérêts, qui ne pouvoient être payés que par *une augmentation excessive d'impôts*, dont il a fallu faire porter la plus forte partie par les consommations dans un pays qui n'a qu'un territoire extrêmement borné, et par conséquent par l'industrie. Il a donc fallu faire enchérir infiniment la main-d'œuvre. Cette cherté de la main-d'œuvre a non-seulement restraint presque toute sorte de fabrique et d'industrie à la consommation intérieure, mais elle a encore porté un coup bien sensible au commerce de fret, partie accessoire et la plus précieuse du commerce d'économie: car cette cherté a rendu la construction plus chere, et augmenté le prix de tous les ouvrages qui tiennent à la navigation, même de tous les ouvrages de ports et des magasins. Il n'étoit pas possible que l'augmentation du prix de la main-d'œuvre ne donnât, malgré tous les efforts de l'économie Hollandoise, un avantage sensible aux autres nations qui voudroient se livrer au commerce d'économie et à celui de fret."[1]

It would be easy to corroborate this statement by extracts from Dutch writers of authority.[2] But it is unnecessary to do more than refer to a very valuable *Memoir on the Best Means of Amending and Redressing the Commerce of the Republic*, compiled by some of the best informed merchants of Holland, and published in 1751, by order of the Stadtholder, William IV., Prince of Orange. It is there stated, that "the *oppressive taxes*, which have, under various denominations, been imposed on trade, must be placed at the head of all the causes that have co-operated to the prejudice and discouragement of commerce; and it may justly be said, that it can only be attributed to these taxes that the trade of this country has been diverted out of its channel, and transferred to our neighbours, and must daily be still more and more alienated and shut out from us, unless the progress thereof be stopt by some quick and effectual remedy. Nor is it difficult to see, from these observations, that the same can be effected by no other means than a diminution of all duties."[3]

These extracts show, that it is not to our navigation law, nor to the restrictive regulations of other powers, but to the abuse of the trading system, and the excess of taxation, that the decline of the commercial greatness and maritime power of Holland is really to be ascribed. Neither does it appear that the opinion maintained by Smith and others, that the navigation law had a power [illegible] in augmenting the naval power

[1] Tome ii. p. 211.

[2] See especially Des Richesses de la Hollande, t. ii. pp. 96, 126, &c.

[3] Memoir on the Best Means &c. Eng. transl. p. 26.

of this country, rests on any better foundation. The taste of the nation for naval enterprise had been awakened; the navy had become exceedingly formidable; and Blake had achieved his victories before the passing of this famous law. So far, indeed, is it from being certain that the navigation act had, in this respect, the effect commonly ascribed to it, that there are pretty good grounds for thinking it had a precisely opposite effect, and that it operated rather to diminish than to increase our mercantile navy. It is stated in Roger Coke's *Treatise on Trade*, published in 1671,[1] that this act, by lessening the resort of strangers to our ports, had a most injurious effect on our commerce; and he further states that we lost, within two years of its passing, the greater part of the Baltic and Greenland trades.[2] Sir Josiah Child, whose treatise was published in 1691, corroborates Coke's statement; for, while he decidedly approves of the navigation law, he admits that the English shipping employed in the eastland and Baltic trades had decreased at least *two thirds* since its enactment, and that the foreign shipping employed in these trades had proportionally increased.[3] Exclusive of these contemporary authorities, it may be worth while to mention, that Mr. Richardson, in his treatise published about the middle of last century, condemns the principle of the navigation act; and contends, that instead of increasing our shipping and seamen, it had diminished both; and that, by rendering the freight of ships higher than it would otherwise have been, it entailed a heavy burden on the public, and was one of the main causes that prevented our carrying on the herring fishery so successfully as the Dutch.[4]

There do not seem to be any very good grounds on which to question these statements; and they are at all events sufficient to show, that the assertions of those who contend that the navigation laws prodigiously increased the number of our ships and sailors, must be received with very great modification. But, suppose that all that has been said by the apologists of these laws were true to the letter;—suppose it were conceded, that, when first framed, the Act of Navigation was alike politic and judicious, that would be but a slender presumption in favour of the policy of supporting it at present. Human institutions are not made for immortality. They must be accommodated to the varying circumstances and exigencies of society. But the situation of Great Britain and the other countries of Europe has totally changed since 1650. The coasted wealth and commercial greatness of Holland have pass[illegible] away. We

[1] Page 36. [2] Idem, 43.

[3] Child's Treatise on Trade, p. 19. Glasg. 1751.

[4] Essay on the Causes of the Decline of Foreign Trade, p. 66. (1st 1744.) See also Interesting Discourse, p. 222.

have no longer any thing to fear from her hostility; and "he must be indeed strangely influenced by antiquated prejudices and bygone apprehensions, who can entertain any of that jealousy from which the severity of this law principally originated." London has become, what Amsterdam formerly was, the grand emporium of the commercial world—*universi orbis terrarum emporium*. And the real question which now presents itself for our consideration is, not what are the best means by which we may rise to naval greatness, but—what are the best means of preserving that undisputed pre-eminence in maritime affairs to which we have attained?

Now, it does not really seem that there can be much difficulty in deciding this question. Navigation and naval power are the children, not the parents—the effect, not the cause—of commerce. If the latter be increased, the increase of the former will follow as a matter of course. More ships and more sailors become necessary, according as the commerce between different and distant countries is extended. A country, situated like Great Britain in the reign of Charles II., when her shipping was comparatively limited, might perhaps be warranted in endeavouring to increase its amount, by excluding foreign ships from her harbours. But it is almost superfluous to add, that it is not by any such regulations, but solely by the aid of a flourishing and widely extended commerce, that the immense mercantile navy we have accumulated can be supported.

It may be easily shown, that to have continued, in the present state of the world, to enforce the provisions of the old navigation law, would have been among the most efficient means that could have been devised for the destruction of our commerce. The wealth and power to which Britain has attained, have inspired other nations with the same feelings of envy and jealousy, that the wealth of Holland formerly generated in our minds. Instead of ascribing our commercial and manufacturing superiority to its true causes, that is, to the comparative freedom of our constitution, the absence of all oppressive feudal privileges, the security of property, and the fairness of our system of taxation, our foreign rivals contend that it has been entirely owing to our exclusive system, and appeal to our example to stimulate their respective governments to adopt retaliatory measures, and to protect them against British competition. These representations have had the most injurious operation. In 1817, the American legislature passed an act, copied to the very letter from our statute book, with the avowed intention of its operating as a retaliatory measure against this country. The northern powers threatened to act on the same principle; and would have carried their threats into effect but for timely concessions on our part. The same engines by which we laboured to destroy the trade of Holland were thus about to be brought, by what we could not have called an unjust retribution, to operate against ourselves. Nor can there be a doubt that, had we continued to maintain our exclusive system, and refused to set a better example to others, and to teach them the advantage of recurring to more liberal principles, we should have run a very great risk of falling a victim to the vindictive spirit which such short-sighted and selfish policy would have generated.

These statements are sufficient to show that a considerable relaxation of our navigation laws had become indispensable; and this was partly effected in 1821 and 1825, but principally in the latter, by the measures introduced with that view into parliament by Mr Wallace (afterwards Lord Wallace) and Mr Huskisson. The effect of these was to place the intercourse of all European countries at amity with the U. Kingdom on the same footing. The memorials of our former animosity, and of our jealousy of the prosperity of certain neighbouring states, being thus abolished, the same law has since continued to regulate our commerce with the continent. This uniformity, besides giving greater scope to mercantile operations, and facilitating our traffic with some of our most opulent neighbours, removed a prolific source of embarrassment and litigation, at the same time that it detracted considerably from that selfish character which had been believed on the continent, and not without considerable reason, to be the animating principle of our commercial policy.

The changes that were also made in 1821 and 1825, in regard to the importation of *enumerated* goods,[1] and of articles, the produce of Asia, Africa, and America, though of considerable importance, were very far from obviating the hardships arising out of the previous rules. The importation of European goods continued to be practicable only in British ships, or in ships of the country of which the goods were the produce, or of the country from which they were shipped. This regulation was kept up to hinder the Dutch, the Danes, or any other people from becoming the carriers of the produce of other nations to our ports. But while this result was not very likely to occur, the rule imposed a serious hardship on foreigners, and also on ourselves. Suppose that a Dutch ship took in part of a cargo of Dutch produce, such as cheese, butter, and geneva at Rotterdam for England, what could be more vexatious, in the event of her not being able to complete her cargo with Dutch goods suitable for our markets, than to hinder her

[1] These changes are specified in the former edition of this work.

from making it up with the foreign goods suitable for them warehoused at Rotterdam, such as the wines and brandies of France, the corn of Poland, the hemp and tallow of Russia, &c.? But its vexatious character was not the only thing to be objected to in a regulation of this sort. It really increased the cost of the butter, cheese, &c. sent to us; for as these had to bear the whole charge on account of freight which, but for the regulation, would have been in part borne by other articles, their price was proportionally enhanced, at the same time that the Dutch were tempted to resort to retaliatory measures. And how injurious soever in other respects, it is sufficiently plain that this regulation could not, as has been alleged, occasion an increased demand for British shipping. It no doubt compelled the foreigners to sort their cargoes less advantageously than they might otherwise have done. But the burden of this fell upon the employers of the carriers, and not on the carriers themselves; that is, it fell upon us and not on the foreigners; while, in the event of their retaliating, our trade was subjected to the same difficulties. It is visionary to pretend that a system so prejudicial to commerce could be advantageous to shipping and navigation.

The measures introduced in 1825, left also untouched the regulation by which goods, the produce of Asia, Africa, and America, were prohibited from being imported from any European port,[1] and could not be imported on foreign bottoms, except when they were imported direct in ships of the country of which the goods were the produce. It was proposed in 1821 to authorize British ships to import all non-prohibited articles from wherever they might find them; and though nothing apparently could be more reasonable than such a regulation, it was objected to on the pretence that foreign ships being more cheaply navigated than ours, would take advantage of this circumstance to import Asiatic, African, and American products into the contiguous continental ports, and would thus confine the employment of our ships to their carriage thence! And upon this futile pretence, for which there was not so much as the shadow of a foundation in fact, the old rule was maintained; and, in consequence, though the ports along the English channel might have been glutted with the corn and cotton of America, the sugar of Brazil and Cuba, the coffee of Java, and the tea of China, and though all or some of these articles might at the time have been deficient here, not one of them could be imported in a foreign ship, unless, as was sometimes the case, it were carried back to the country whence it had been originally shipped, nor even in a British ship, unless it were first carried from Europe to some other continent! It is hardly possible to imagine any rule or regulation more extravagantly oppressive and absurd, and it is really astonishing it should have been able to keep its place on the statute book for about two centuries. Luckily, however, this preposterous system, as well as the regulations affecting importation from Europe, ceased on the 1st of January 1850. The act for their repeal, the 12th and 13th Vict. c. 29., may be regarded as the completion of the free trade measures adopted in 1842 and 1846, and it has had the most favourable influence over the commerce and navigation of the empire.

The relaxations made in 1825 and 1826 in the regulations embodied in our old navigation laws in regard to the colonial trade, were perhaps the most valuable portion of the changes introduced by Mr. Huskisson. But though they did much to obviate the hardships growing out of the previous rules, and to give freedom to the colonial trade, they did not entirely effect that object; and some regulations were subsequently continued in force which, though irritating and mischievous in their bearing on the colonies, were of no real advantage to ourselves. These, however, wholly ceased on the 1st of January 1850. Since then all varieties of goods may be imported into the colonies from all countries at peace with Great Britain, and exported from the colonies to them, whether in British, colonial, or foreign shipping. The complaints of the colonists, in regard to the injuries they sustained from the rules enforced by our navigation laws, were thus completely obviated, and on that ground, at all events, they have no farther claim to prohibitory duties.

Besides the restrictive regulations already alluded to, it was a part of our former policy to encourage the employment of British shipping by imposing higher duties on commodities imported in foreign vessels, than were imposed on them when imported in British vessels; and it was also customary to charge foreign vessels with higher port and lighthouse duties, &c. This practice was always loudly complained of by foreigners; but we had little difficulty in maintaining it, so long as we could afford to disregard the retaliatory measures of other powers. But the extraordinary increase that took place, after the commencement of the French war, in our manufactures for foreign consumption, and the necessity under which we were, in consequence, placed, of conciliating our customers abroad, led to the adoption of the *reciprocity system*. The latter was first introduced into the trade with the United States. After the North American colonies had succeeded in establishing their independence, they set about framing rules for their navigation on the model of those of this country. Among other regulations of a restrictive character, it was enacted that all foreign vessels trading to the United States should pay 44 cents, which was afterwards raised to 94 cents (nearly a dollar), per ton duty, beyond what was paid by American ships; and further

[1] The only exception to this rule were articles from Africa and African Turkey imported from the Levant, and bullion.

that goods imported in foreign vessels should pay a duty of 10 per cent. over and above the duty payable on them when imported in American vessels.

This law was avowedly directed against the shipping of this country, though, as it was bottomed on the same principles as our navigation laws, we could not openly complain of its operation. Under these circumstances, it would have been sound policy to have proposed an accommodation; and instead of attempting to meet retaliation by retaliation, to have offered to modify our navigation law, in so far as American shipping was concerned, on the Americans making reciprocal modifications in our favour. A different course was, however, followed. Various devices were fallen upon to counteract the navigation system of the Americans, without in any degree relaxing our own: but they all failed of their object; and at length it became obvious to every one that we had engaged in an unequal struggle, and that the real effect of our policy was, to give a bounty on the importation of the manufactured goods of other countries into the United States, and thus gradually to exclude both our manufactures and ships from the ports of the republic. In consequence, a conviction of the necessity of making concessions gained ground progressively; and it was ultimately fixed by the commercial treaty agreed upon between Great Britain and the United States, in 1815, that in future equal charges should be imposed on the ships of either country in the ports of the other, and that equal duties should be laid upon all articles, the produce of the one country imported into the other, whether such importations were effected in the ships of the one or the other.

Brazil and the other states of South America were naturally anxious to establish a commercial marine; and to forward their views in this respect they contemplated enacting navigation laws. But this intention was frustrated by the interference of the British government, who, without stipulating for any peculiar advantage, wisely offered to admit their ships into our ports on a principle of reciprocity, or on their paying the same charges as our own ships, on condition of their admitting British ships into their ports on a similar footing. Commercial treaties, framed on this sound principle, were afterwards entered into with most of these states.

The reciprocity system having been thus adopted as the basis of the intercourse with the United States, whose commercial marine was second only to that of Great Britain, it was not possible to refuse adopting it in the case of such European countries as might choose to admit our ships into their ports on a footing of equality.[1] The first demand of this sort was made on the part of the Prussian government, which, on the 20th of June 1822, issued an order in council making large additions to the port dues previously charged on all ships belonging to those nations which did not admit Prussian ships on a principle of reciprocity. The real object of this order was to injure the navigation of this country; and it was speedily found that it had the desired effect, and that its operation on British shipping was most mischievous.

Under these circumstances, the British merchants and shipowners applied to our government for relief. "We were assailed," said Mr. Huskisson, "with representations from all quarters connected with the shipping and trade of the country, against the heavy charges imposed upon British ships in the ports of Prussia. In such circumstances, what course did his majesty's government take? We felt it to be our duty, in the first instance, to communicate with the Prussian minister in this country; and our minister at Berlin was, I believe, also directed to confer with the Prussian government on the subject. I myself had a conference with the Prussian minister at this court, and I well recollect the substance of his reply to me: 'You have,' he said, 'set us the example, by your port and light charges, and your discriminating duties on Prussian ships; and we have not gone beyond the limits of that example. Hitherto, we have confined the increase of our port and tonnage charges to ships only; but it is the intention of my government next year,' (and of this he showed me the written proof) 'to imitate you still more closely, by imposing discriminating duties on the goods imported in your ships. Our object is a just protection to our own navigation; and so long as the measure of our protection does not exceed that which is afforded in your ports to British ships, we cannot see with what reason you can complain.'

"Against such a reply what remonstrance could we, in fairness, make to the Prussian government? We might have addressed ourselves, it may be said by some, to the friendly feelings of that government;—we might have pleaded long usage in support of our discriminating duties;—we might have urged the advantages which Prussia derived from her trade with England. Appeals like these were not forgotten in the discussion, but they were of little avail against the facts stated by the consul at Dantzic—that 'the Prussian shipowners were all going to ruin.'

"By others it may be said, 'Your duty was to retaliate by increasing your own port charges and discriminating duties, on Prussian shipping.' I have already stated generally my reasons against the policy of this latter course. We were not prepared to begin a system of commercial hostility which, if followed up on both sides to its

[1] By the fourth section of the act 6 Geo. IV. c. 1. it is enacted, that his majesty may, by an order in council, admit the ships of foreign states into our ports, on payment of the like duties that are charged on British vessels, provided that British ships are admitted into the ports of such foreign states on payment of the like duties that are charged on their vessels.

legitimate consequences, could only tend to reciprocal prohibition. In this state of things, more prudently, as I contend, we entered upon an amicable negotiation with the Prussian government, upon the principle of our treaty with the United States,—that of abolishing, on both sides, all discriminating duties on the ships and goods of the respective countries in the ports of the other.

"Having concluded an arrangement with Prussia upon this basis, we soon found it necessary to do the same with some other of the northern states. Similar conventions were accordingly entered into with Denmark and Sweden. Reciprocity is the foundation of all those conventions; but it is only fair to add, that they contain other stipulations for giving facility to trade, and from which the commerce of this country, I am confident, will, in the result, derive considerable advantage."[1]

This statement shows that the establishment of the reciprocity system with respect to which so violent a clamour was afterwards raised, was not a measure of choice but of necessity. We could not afford to hazard the exclusion of our manufactures from countries into which they were annually imported to a very large amount. So long as the Prussians, Swedes, Danes, and other nations, chose to submit, without attempting to retaliate, to our system of discriminating duties on foreign ships, and on the goods imported in them, it was no business of ours to tell them that that system was illiberal and unjust. But when they discovered that such was really the case, and declared that unless we modified our restrictions, they would retaliate on our commerce, and either entirely exclude our commodities from their markets, or load those that were imported in British ships with prohibitory duties, should we have been justified in refusing to come to an accommodation? Were we to sacrifice the substance to the shadow? To turn away some of our best customers because they chose to stipulate that the intercourse between them and us should be conducted either in their ships or in ours, as the merchants might think best? Government had only a choice of difficulties; and they wisely preferred adopting a system which has preserved the access to foreign markets for English goods, and has further secured an equal chance to English ships, with those of foreigners, of being employed in the trade with other countries. More could not have been obtained; nor would it have been really desirable. Had we endeavoured to enforce in the nineteenth century the rules and regulations that had been justly objected to and regarded as oppressive in the sixteenth and seventeenth centuries, we should have provoked a spirit of hostility and retaliation that must eventually, and at no distant period, have crippled alike the manufactures, trade, and navigation of the empire.

The reciprocity system is still wisely maintained, and is, indeed, embodied in the act 12 and 13 Vict. c. 29. But we do not make its previously agreeing to this system a condition of a foreign country being entitled to participate in the advantages conferred by this act. Such preliminary arrangements would have occasioned much embarrassment and difficulty, and we, therefore, have contented ourselves with reserving power to her majesty in council, in the event of her thinking it expedient to interfere, to impose such prohibitions, restrictions, and discriminating duties on the ships of any foreign power frequenting our ports, as may be required to countervail any peculiar prohibitions, restrictions, or duties laid upon British ships in the ports of such foreign power.

Much difference of opinion has existed as to the practical effect on our shipping and navigation, of the changes introduced by Mr. Huskisson. But there was really no ground for any such difference. This will be apparent from the following comparison between the shipping belonging to the empire in 1825, when Mr. Huskisson's reforms began, and in 1848:—

[1] Huskisson's Speech, May 12, 1826, on the State of the Shipping Interest.

Account of the Ships, their Tonnage and their Crews, belonging to the British Empire, in 1825 and 1848.

Years.	United Kingdom and Possessions in Europe.		Colonies.		Total.		Crews.
	Ships.	Tons.	Ships.	Tons.	Ships.	Tons.	
1825	20,701	2,328,807	3,579	214,875	24,280	2,553,682	166,183
1848	25,638	3,400,809	8,034	651,351	33,672	4,052,160	236,069
Excess in 1848	4,937	1,072,002	4,455	436,476	9,392	1,498,478	69,886

It is plain from this statement that the number of our ships, the amount of their tonnage, and the number of our sailors, had all been greatly increased after 1825. And if this be not, we should like to know what can be a conclusive proof of the wisdom of the changes effected in that year. They were, in fact, successful to a degree which the most sanguine could not previously have supposed possible.

Although, however, the fact of a vast increase of our mercantile marine having taken place since 1825, be too well established to admit of any doubt, it is contended by the apologists of the old restrictive system, that the share which foreigners have in the trade

of the United Kingdom is notwithstanding greater now than in 1825. But this greater preponderance of foreign vessels in our trade, if such really be the case, (which is doubtful,) is admitted to be but inconsiderable; though, were it incomparably greater than it is alleged to be, it would afford no room or ground for objecting to the measures of 1825 and 1849. The shipping and foreign trade of most continental states were all but wholly destroyed during the war terminated in 1815, while our shipping and trade were then proportionally increased: And the influence of this depression on the one side, and of the unnatural stimulus on the other, was far from being exhausted in 1825. But in the lengthened interval that has since elapsed, the mercantile navies of the continental states have attained to their ordinary state. And while we have no longer had any peculiar adavantages on our side, we have had to contend with them, and with the rapidly increasing marine of the U. States. Our intercourse with Holland, France, the Elbe, &c., which was all but wholly suppressed during the war, has since been very extensive; and are we, under such circumstances, to be surprised that the proportion of foreign shipping frequenting our ports has increased? Had such increase been much greater, it could not have surprised any reasonable person; and the fair presumption is, that but for the changes effected in 1825, such would have been the case. And the farther changes effected in 1849, which, like those of 1825, were imperatively required by the exigencies of the commercial world, have been equally beneficial.

No evidence has been, or, we believe, can be produced to warrant the often repeated assertion, that foreigners man and navigate ships cheaper than ourselves. There is not at present any trade open to British ships in which they do not, without difficulty, maintain their ground against every other competitor. The wages of seamen in the U. States are higher than here; and this indeed, is a principal cause of our seamen engaging so very extensively as they are known to do in the American service. And while the wages paid by the northern shipowners differ but little from ours, their crews are larger, compared with the burden of their ships. The difference in the cost of victualling must be inconsiderable; for in all distant voyages our ships procure provisions and stores of all sorts at the same rates as the foreigner. Hence, as it appears to us, nothing can be more futile and unfounded than the fears, whether real or pretended, that our shipowners will not be able to withstand any competition to which they may be exposed. The late changes will be more advantageous to ourselves than to any other nation. Being the greatest commercial and naval people in the world, we must necessarily gain most by whatever gives increased facilities to commerce and navigation.

In estimating the capacity of the British shipowners to maintain their ground against their competitors in other parts of the world, it must be remembered that they are not now, as heretofore, obliged to use only ships of the built of the U. Kingdom or the colonies. This restriction has been repealed by the 12 and 13 Vict. c. 29; and the fact of a ship being British, and entitled to all the privileges peculiar thereto, no longer depends on her having been constructed in our dominions, but on her being registered and manned according to the provisions in the statute now referred to. The building yards of all the countries of the world are thus laid open to our merchants, or others wishing to buy ships, who may purchase them as they do corn and wine, wherever they may be had cheapest.

The extensive and constantly increasing use of ships impelled in whole or in part by steam in the coasting and oversea trades, must not be forgotten in comparing our present shipping with that of former epochs. Steam vessels may, taking short voyages into account, be safely assumed to be of double the efficiency of sailing vessels. And such being the case, it is plain, had the number only of our ships and the amount of their tonnage continued stationary during the last dozen years, that our mercantile navy must have been largely increased. But besides its greater efficiency, the following return, compared with that on p. 540, shows that the number of ships and seamen have also been largely augmented.

ACCOUNT of the NUMBER, TONNAGE, and CREWS of REGISTERED VESSELS (distinguishing Sailing and Steam) which belonged to the UNITED KINGDOM, and BRITISH POSSESSIONS, respectively, on the 31st December 1861.

	SAILING VESSELS.		STEAM VESSELS.		TOTAL.		CREWS.
	Vessels.	Tons.	Vessels.	Tons.	Vessels.	Tons.	
United Kingdom:							
England	19,817	3,476,564	1,617	385,920	21,434	3,862,384	173,200
Scotland	3,080	551,134	330	74,293	3,410	625,427	32,039
Ireland	2,123	203,095	175	41,585	2,298	247,680	13,960
	25,020	4,230,793	2,122	504,698	27,142	4,735,491	219,199
Isle of Man	352	11,576	3	802	355	12,378	5,625
Channel Islands	533	58,149	8	808	541	58,957	
British Possessions	9,298	823,302	295	46,297	9,583	869,089	74,500
Total	35,103	5,123,910	2,428	552,605	37,021	5,675,515	299,300

None of the changes hitherto referred to affected the coasting trade, the monopoly of which was secured, down to 1854, to British shipowners; but in that year this last shred of the old navigation laws was repealed by the Act 17 Vict. c. 5.

This measure has had little practical influence. The shipowners had so many facilities for carrying on the coasting trade, that it could not be rationally expected that foreigners would be able to come into anything like a successful competition with them in that department of industry. The measure was, however, advantageous; for while it hinders the native shipowners from availing themselves of any peculiar circumstances (such as existed in 1853 and 1854) to charge oppressive rates of freight, it at the same time subjects them to that wholesome competition by which alone their energies can be fully developed.

The change from wind to steam as the grand moving power of ships, is not greater than the change from timber to iron that is now taking place in their fabric. Were the Drakes, the Blakes, and the Nelsons again to appear among us, they would be struck with astonishment at the self-moving iron machines with which we must now maintain the dominion of the sea. The quarter deck was not of greater importance formerly than the engine room is now. And though it be impossible to prognosticate what may be the ultimate result of such momentous changes, the fair presumption seems to be that they will redound to our advantage. Our facilities for the construction of iron ships are greater than those of any other country. It might have been doubtful, had ships continued to be wholly or principally built of wood, whether others might not have equalled or surpassed us in their construction. But so long as iron ships moved by steam are in the ascendant, so long may our superiority in shipbuilding be considered as pretty well assured.

Among the drawbacks to which our commercial marine has been, and continues to be subject, the most formidable appears to be the frequent incompetence of the masters, and the prevalence of intemperance among them and the crews. To obviate the first of these evils, it has been attempted, conformably to the policy adopted in some other countries,[1] to subject all parties seeking to be employed as masters of ships to a previous examination, in the view of ascertaining their capacity properly to discharge the important duties incident to such employment. And this examination, were it conducted by thoroughly qualified parties, and made sufficiently stringent, would raise alike the character and the skill of the masters. But we doubt whether either of these conditions be realized under the existing system. Masters with certificates have sometimes exhibited great want of seamanship; and the punishment attached to the neglect of duty appears in most cases to be extremely inadequate. Some other means for the maintenance of discipline and temperance on board merchant ships seems also to be much wanted. The difficulties inseparable from all attempts to interfere in such matters are, however, of the most formidable description.

[1] For an account of the regulations adopted in France in regard to this matter, see Commercial Dictionary, Art. MARINE.

NOTE XIII.

IMPRESSMENT—ITS ABOLITION.

THE cruelty and oppressiveness of impressment being admitted on all hands, it is unnecessary to dilate on these topics; we shall therefore proceed briefly to inquire whether the existence of this practice be really defensible, on the ground of its being indispensable for the manning of the fleet at the breaking out of a war, or in cases of emergency.

The argument for the necessity of impressment may be stated as follows:—

It is obvious, on the ordinary principle by which the supply of any description of artisans is proportioned to the effective demand for them, that, generally speaking, a country will not possess more sailors than is required to man the vessels of her government and her merchants. The number of sailors employed in the merchant service of Great Britain amounts, according to the official returns, to about 225,000, and there may, in addition, be 50,000 employed in the navy,[1] making in all 275,000, exclusive of fishermen, watermen, &c., many of whom, however, would be protected from impressment. At the conclusion of a war, a considerable number of sailors are usually discharged from the fleet for whose services there is no demand; and at such periods their total number proportionally exceeds the number required for the queen's and the merchant service. But in the lapse of a few years this surplus disappears; and the total number of sailors, like that of any other description of workmen, is proportioned to the demand.

But it must be observed that, owing to the employment of steam in most ships of war, a much larger proportion of landsmen may now be embarked on board such ships than formerly; and, instead of increasing, the demand for thorough-bred seamen for the navy has fallen, and is continuing to fall off. The great demand is now for expert enginemen and gunners; and the qualifications of such parties may be acquired with little other seamanship than may be needful to enable

[1] The official returns for 1862 say 80,000, but of these, 30,000 may be landsmen and boys.

them to keep their feet, or to give them what are called "sea legs." And taking these circumstances into account, there is no great probability that more than from 12,000 to 20,000 seamen will be in future wanted at the breaking out of a war.

Supposing now that in addition to the numbers afloat during peace, 15,000 or 20,000 able-bodied seamen were wanted at the commencement of a war, it is said the probability is that we should have to resort to impressment. A war, instead of diminishing our foreign commerce, might throw a greater share of the trade of the world into our hands, and increase the demand for merchant ships; nor, so long as we retain our naval superiority, is there any considerable probability that the demand for them will be materially diminished in consequence of hostilities. Unless, however, a war were to throw a large proportion of our merchant ships out of employment, it is evident we should not be able to man the fleet without either resorting to impressment, or offering such high wages as might tempt the required number of hands to leave the merchant service for the queen's. The ten or twenty thousand additional seamen wanted for the fleet cannot be created by a declaration of war. They can only be got from the merchant service; and if the merchants have need of them, and are willing to offer as high wages as government, recourse must unavoidably be had to impressment.

This necessity is not, however, natural but artificial; it is of our own making, and may be easily obviated. So far, indeed, is it from being true that impressment is indispensable for the manning of the fleet, that it is not even necessary we should have merchant ships from which to impress men. It has been usually supposed that no nation can have a great warlike navy, unless it have at the same time a great mercantile navy; and in consequence, as already seen, of the prevalence of this opinion, oppressive restraints have been laid on commerce in the view of forcing the employment of ships and sailors. All, however, that is really required for the attainment of naval power, is, the possession of convenient harbours, and of wealth sufficient to build ships, and to pay the wages of their crews. How paradoxical soever the proposition may at first sight appear, it will notwithstanding be found on examination, that the navy might be as formidable as it really is, or, if that were desirable, infinitely more so, though we did not possess a tithe of our merchant ships. It is admitted, on all hands, that the only use of the latter, in respect of national defence, is the means they afford of breeding up and training sailors, who may afterwards be made available, by impressment or otherwise, for the manning of the fleet. But the question is, are there any good reasons for preferring this circuitous method of procuring men for the navy? Sailors may, undoubtedly, be brought up in ships of war as well as in merchantmen; and some very high authorities in naval matters have declared, what indeed it was only natural to suppose, that a sailor who has been brought up from infancy on board a ship of war is better fitted for the peculiar duty required of her crew than if he had been bred in a merchantman. A sailor bred in the latter is ignorant of many things that are indispensable to a good man-of-war's man. He has to be trained to the management of guns, to the sword exercise, &c.; and has to learn to submit himself to that regular routine duty and strict discipline essential in a fleet.

Sound policy would, therefore, seem to suggest that a greater number of able-bodied seamen should be kept afloat in the navy during peace than has hitherto been the case, and that the number of landsmen and boys in it should be proportionally reduced. It would be comparatively easy to supply the proper portion of the latter at the breaking out of hostilities. And were a policy of this sort followed, the manning of the fleet would become a matter of comparative facility.

It has been suggested with a view to the exigencies of the new state of things that it would be good policy to employ the garrisons of Portsmouth, Plymouth, and other seaport towns, in training ships in the exercises necessary to qualify them for serving in ships of war. Such parties need not go aloft. It would be enough if they became familiar with all that pertains to the defence and attack of the self-moving fortresses for and against which they might have to contend. If a sufficient supply of such well-trained semi-seamen were ready to be taken on board at the beginning of a war or other emergency, they would, when added to the able-bodied seamen on board the ships of war, be enough to bring the fleet into the highest state of efficiency.

On this system, it is obvious that a supply of men for the fleet might be constantly kept up without ever abstracting a single individual from the merchant service, and, consequently, without either resorting to impressment, or giving the least shock to commerce: at the same time that the crews, being thoroughly trained, would attain to a state of discipline to which they have hitherto been generally strangers.

To facilitate the obtaining of volunteers, sailors might be enlisted for limited periods only. At the end of the first period of three, five, or seven years, as might be fixed upon, they might be entitled to a discharge, and liberty might be allowed them to practise any trade in any town or place in the country, without acquiring the freedom of any corporate body or association. If they enlisted for a second period, they might be entitled to a pension on its termination; and if they enlisted for a third period, they might be entitled, over and above the wages paid to other seamen, to the pension due to them at the termination of their second period of service, and to have that pension doubled on the ex

piration of the third period. And these pensions should be exclusive of allowances for wounds, &c., which might be continued as at present.

It was formerly customary for individuals to be sent to the navy as a place of punishment; the sentence of various descriptions of criminals being commuted on their consenting to go on board one of her majesty's ships. But this practice, which degraded our men-of-war into gaols, has been most properly abandoned.

The only objection worth notice, that can be made to the plan for abolishing impressment by keeping a greater number of sailors afloat during peace, is founded on the ground of expense. But though it were to cost a few hundred thousand pounds a year more than the present system, we cannot doubt, inasmuch as it is doubtful whether without incurring this expense the injustice and misery caused by impressment can be really got rid of, that it would be cheerfully submitted to by the public. In point of fact, however, the probability seems to be, that the plan now suggested would be really cheaper than that hitherto acted upon. It is an error to suppose that the practice of impressment was recommended by its cheapness. Every one knows that if any employment be particularly disagreeable or hazardous, or if those engaged in it be peculiarly exposed to oppression or ill treatment, young men will be disinclined to enter it; and that it would be impossible to carry it on unless wages rose so as to afford those engaged therein a reasonable compensation for the unfavourable circumstances attending it. Now this has been most especially the case with the sea service. The violence and injustice to which sailors have been exposed deterred many from sea-going; and thus by artificially lessening their number, raised wages above their natural level, to the injury as well of the queen's as of the merchant service.

Our merchants are every now and then complaining of the high wages demanded by sailors. But it is against the source of the evil, and not against its consequences, that they should have raised an outcry. Impressment has been the principal cause of the deficient numbers, and consequent high wages of our seamen; and it is idle to suppose that they were to be materially diminished while this practice was maintained. If we will have injustice, it is childish to clamour about its expense. "The custom of impressment puts a free-born British sailor on the same footing as a Turkish slave. The grand seignior cannot do a more absolute act than to order a man to be dragged away from his family, and against his will run his head before the mouth of a cannon; and if such acts should be frequent in Turkey upon any one set of useful men, would it not drive them away to other countries, and thin their numbers yearly? and would not the remaining few double or treble their wages? which is the case with our sailors in time of war, to the great detriment of our trade and manufactures."[1]

The increase of wages caused at all times, but especially during war, by the practice of impressment, was not, however, its worst effect. The wish to lessen this expense led, in numerous cases, to the sending of ships to sea with insufficient crews; and consequently to the loss of many lives and much valuable property. It is difficult to say how much the rate of insurance was affected by this circumstance, but that it was raised by it is a fact of which there is no doubt.

In corroboration of what has now been stated, it may be mentioned that, while the wages of ordinary labourers and artisans are uniformly higher in the United States than in England, those of sailors have been commonly lower. The reason is, that the navy of the United States has been manned by means of voluntary enlistment. The Americans have had wisdom enough to relinquish a practice which would have driven their best sailors from their service, and forced them, when they happened to be at war, to man their fleet with the sweepings of their gaols.

It was estimated that there were from 15,000 to 16,000 British sailors on board American ships at the close of the great war with France; and the wages of our seamen, which in time of peace rarely exceed 50*s.* or 60*s.* a month, had then risen to 100*s.* and 120*s.*! This extraordinary influx of British seamen into the American service, and no less extraordinary rise in their wages at home, was occasioned by our continuing the practice of impressment after it had been abandoned by the United States. Formerly our seamen were in the habit, on the breaking out of a war, of deserting to Holland; but the difference of language was an insuperable obstacle to this practice being carried to any very considerable extent. Now, however, that America is open to them, nothing could have countervailed the inducements to desertion short of the abolition of impressment, which has been practically effected. And while there are no good grounds for thinking that we shall be inconvenienced by this change of policy, the efforts of the Americans to increase their naval power will not be assisted by our clinging to a system fraught with injustice and cruelty.

NOTE XIV.

COMMERCIAL TREATIES.

Origin, Objects, and Policy of Commercial Treaties.

The article on Treaties of Commerce in the Wealth of Nations is probably the most unsatisfactory in the work. It merely contains

[1] Richardson's Essay on the Causes of the Decline of Foreign Trade, ed. 1756, p. 24.

the Methuen treaty, with a short criticism of its provisions; the rest of the chapter being wholly appropriated to a discussion respecting the supply of the precious metals, and the imposition of a seignorage on coin. It would be next to impossible adequately to supply within the limits of this note so great a deficiency; and we shall confine ourselves to a few statements having reference to the origin, objects, and policy of commercial treaties.

During the middle ages, and down, indeed, to a comparatively recent period, foreigners resident in a country, whether for commercial or other purposes, were, for the most part, subject to very harsh treatment. At one time, it was usual in England to make aliens liable for the debts and crimes of each other; and the practice, formerly so common, of laying heavier duties on the goods imported and exported by aliens than by British subjects, is hardly even yet wholly abandoned. In France, and some other countries, during the 14th and 15th centuries, a stranger was incapable of bequeathing property by will; and the whole of his personal as well as real estate, fell, at his death, to the king or the lord of the barony. This barbarous law, known by the name of *Droit d'Aubaine*, was not completely abolished in France till a very late period.—(*Robertson's Charles V.* vol. i. note 29.) Previously to last century, the laws with respect to shipwreck, though infinitely more humane than they had been at a more remote period, were calculated rather to promote the interest of the sovereign of the country, or the feudal lords on whose territories shipwrecked vessels might be thrown, than those of the unfortunate owners or survivors. The practice of confiscating shipwrecked property continued in France till 1681, when it was abolished by an edict of Louis XIV. It was at one time common in Germany, says Bouchaud, "pour les prédicateurs de prier Dieu en chaire, *qu'il se fasse bien des naufrages sur leurs côtes!*" —(*Théorie des Traités de Commerce*, p. 118.) And the fact, that the celebrated jurist Thomasius wrote a dissertation in defence of such prayers, affords, if possible, a still more striking proof of the spirit of the period. The most serious obstacles were then, also, opposed, by the prevalent insecurity, and the arbitrary nature of the tolls which the lords were in the habit of exacting, to the transit of commodities through the territories of one state, or even lordship, to those of another.

Under such circumstances, it became of much importance for commercial states to endeavour to obtain, by means of treaties, that protection and security for the persons and properties of their subjects, when abroad, against unjust treatment and vexatious exactions, which they could not have obtained from the laws of the countries in which they might happen to reside. Thus, it was stipulated by Edward II., in 1325, that the merchants and mariners of Venice should have power to come to England for 10 years, with liberty to sell their merchandise and to return home in safety, "*without having either their persons or goods stopped on account of other people's crimes or debts.*"—(*Anderson, anno* 1325.) The commercial treaties negotiated during the 15th, 16th, and 17th centuries, are full of similar conditions; and there can be no doubt that by providing for the security of merchants and seamen when abroad, and suspending, with respect to them, the barbarous laws and practices then in force, they contributed materially to accelerate the progress of commerce and civilization.

Commercial treaties were also negotiated at a very early period for the regulation of neutral commerce during war; and for defining the articles that should be deemed contraband, or which it should not be lawful for neutral ships to convey or carry to either belligerent. These are obviously points that can only be decided by express stipulations.[1]

Instead, however, of confining commercial treaties to their legitimate and proper purposes—the security of merchants and navigators, and the facility of commercial transactions—they very soon began to be employed as engines for promoting the commerce of one country at the expense of another. For more than two centuries those engaged in framing commercial treaties principally applied themselves to secure, either by force or address, some exclusive advantage in favour of the ships and products of their particular countries. Hence these compacts are full of regulations as to the duties to be charged on certain articles, and the privileges to be enjoyed by certain ships, according as they were either produced by or belonged to particular countries. It was in the adjustment of these duties and regulations that the skill of the negotiator was chiefly put to the test. It was expected that he should be thoroughly acquainted with the state of every branch of industry, both in his own country and in the country with which he was negotiating; and he was to endeavour so to adjust the tariff of duties, that those branches in which his own country was deficient might be benefited, and those in which the other was superior might be depressed! The idea of conducting a negotiation of this sort on a fair principle of reciprocity is of very late origin; success in circumventing, in over-reaching, or in extorting from fear or ignorance some oppressive, but at the same time worthless privilege, was long esteemed the only proof of superior talent in negotiators.

In an able tract, published in 1786,[2] *Historical and Political Remarks on the Tariff of the*

[1] There is a good collection of treaties as to this point, in the Appendix to the excellent work of Lampredi, *Del Commercio de' Popoli Neutrali.*

[2] This tract was really, we believe, written by Mr. A. C. Schomberg, author of a valuable tract on the Maritime Laws of Rhodes, reprinted by Lord Overstone in a volume of Miscellaneous Economical Tracts.

French Treaty of 1786, we find the following outline of the qualifications necessary to the negotiator of a commercial treaty:—"Besides a general knowledge of the trade and reciprocal interests of the contracting parties, he ought to be precisely acquainted with their several kinds of industry and skill; to discover their wants, to calculate their resources, and to weigh with nicety the state of their finances and the proportionate interest of their money; nay, further, he should be able to ascertain the comparative population and strength of each country, together with the price and quality both of first materials, and also of the labour bestowed upon them; for this purpose he should inquire into the operations of every class of merchants and manufacturers concerned in the trade; should consult their expectations on each of its several branches; and collect their hopes and fears on the effect of such a commercial revolution, on the competition of rival nations. A good treaty of commerce, independent of the art of negotiation, is pronounced, by one who well knew the extent and difficulty of the subject, to be a '*masterpiece of skill.*'"—(p. 10.)

Had the author concluded by stating that no individual, or number of individuals, ever possessed, or ever would possess, the various qualifications which in his estimation were required in negotiating a "good commercial treaty," he would only have affirmed what is most certainly true. We believe, however, that he had formed a totally false estimate, not only of the qualifications of a negotiator, but of the objects he ought to have in view. It was the opinion of the Abbé Mably—(*Droit Publique de l'Europe,* tome ii. p. 561),—an opinion in which we are disposed, with very little modification, to concur,—that when a few general rules are agreed upon for the security of trade and navigation, including the importation and exportation of all commodities not prohibited by law; the speedy adjustment of disputes; the regulations of pilotage, harbour and light-house duties; the protection of the property and effects of merchants in the event of a rupture, &c.; all is done that ought to be attempted in a commercial treaty. It may, indeed, be properly stipulated that the goods of the contracting powers shall be admitted into each other's ports on the same terms as "those of the most favoured nations,"—that is, that no higher duties shall be charged upon them than on those of others. But here stipulation ought to cease. It is an abuse and a perversion of commercial treaties to make them instruments for regulating duties or prescribing Custom-house regulations.

The commercial treaty with France, negotiated in 1860, strikingly illustrates what has now been stated. In return for certain concessions made by France we bound ourselves to repeal the duties on silks, gloves, shoes, clocks, watches, bronzes, and a host of other articles; to reduce the duties on wine, brandy, paper-hangings, and gold and silver plate; and not to prohibit the exportation of coal, nor to lay any duty upon it when exported. Hence, as the treaty was to continue for 10 years, it is plain that for that period it has, in some material respects, compromised our independence. Though it should, for example, become expedient to prohibit the exportation of coal, or to load it with a duty, we can do neither the one nor the other, and so with 50 other articles. We have, in these respects, ceased to be *sui juris*, and have, in truth, relinquished some of the distinguishing prerogatives of a free state. It is needless to dwell on the inexpediency of an arrangement of this sort. It is alike degrading and injurious, whether it is considered in a political or an economical point of view. None can foresee or appreciate beforehand what circumstances may occur to make it expedient to impose duties on articles that are now duty-free, or to reduce or increase existing duties. Hence, all great nations should be at all times able to regulate their tariffs as they may think best for their own interests, without being shackled by engagements with others. If regulations in regard to duties be embodied in a treaty, it should be terminable at the pleasure of either of the contracting parties. But as its termination, because of duties, might probably give offence, the less that is said in commercial treaties in regard to them the better.

If foreign powers be all treated alike, none of them has just grounds of complaint; and it can rarely be for the interest of any people to show preferences to one over another. Those, for example, by whom *we* may be most advantageously supplied with foreign products, require no preferences; and if we exclude them, or give a preference to others, we incontestably injure ourselves; and yet 19 out of 20 of the regulations as to duties in commercial treaties have been founded on this preposterous principle. They have been employed to divert trade into channels where it would not naturally flow; that is, to render it less secure and less profitable than it would otherwise have been.

A great deal of stress has usually been laid upon the advantages supposed to be derived from the privileges sometimes conceded in commercial treaties. But we believe that those who inquire into the subject will find that such concessions have, in every case, been not only injurious to the party making them, but also to the party in whose favour they have been made. The famous commercial treaty with Portugal, negotiated by Mr. Methuen in 1703, and quoted by Smith, was almost universally regarded, for a very lengthened period, as admirably calculated to promote the interests of this country. But it is now generally admitted, by every one who has reflected upon such subjects, that few transactions have taken place by which these interests were more deeply injured. It stipulated for the free admission of British woollens into Portugal, from which they happened, at the time, to be excluded; and in return for this concession—

a concession far more advantageous to the Portuguese than to us—we bound ourselves "for ever hereafter" to admit wines of the growth of Portugal into Great Britain at two-thirds of the duty payable on the wines of France; that is, to obtain a paltry advantage, we consented to drink, in all time to come, inferior wine, bought at a comparatively high price! This, however, was not all; for, by excluding one of the principal equivalents the French had to offer for our commodities, we necessarily lessened their ability to deal with us; at the same time that we provoked them to adopt retaliatory measures against our trade. It was owing more to the Methuen treaty than to anything else, that the trade between England and France—a trade that would naturally have been of vast extent and importance—was so long confined within comparatively narrow limits.

The commercial treaty negotiated by Mr. Pitt in 1786 was framed with much care and consideration; and was probably as fair as a compact of the sort can well be made. It stipulated, among other things, that the trade in cutlery and hardware, and in cottons and woollens, between the two countries should be perfectly free, the duties on the former being in each 10 and on the latter 12 per cent. *ad valorem*. Some articles continued to be prohibited in both countries; but there was hardly a concession made by the one party without a corresponding concession being made by the other. The speedy occurrence of the Revolution, and the wars and convulsions to which it led, make it impossible to form any satisfactory estimate of what might have been the real operation of this treaty had time been given for its fair trial. While, however, it was not popular here, it was decidedly unpopular in France. And whatever benefit the treaty was fitted to confer either on us or the French might have been realized without its intervention.

It is visionary to imagine that any nation will ever continue to grant to another any exclusive advantage in her markets, unless she obtain what she reckons an equivalent advantage in the markets of the other. And if a commercial treaty stipulating for an exclusive privilege be really and *bonâ fide* observed by the country granting the privilege, we may be sure that the concessions made by the country in whose favour it is granted are sufficient fully to countervail it. Those who grasp at exclusive privileges in matters of this sort, or who attempt to extort valuable concessions from the weakness or ignorance of their neighbours, are uniformly defeated in their object. A nation which, without stipulations or bargains of any kind, opens its ports on easy terms to the ships and products of other countries, will have its harbours crowded with the former, and its markets overloaded with the latter. But as exportation is in all cases proportioned to importation, an increase of the one inevitably leads to an equivalent increase of the other. They cannot be otherwise than equal and contrary. If we trade with a nation, the products of which are admitted duty free to our markets, our dealings with her at any given period may be said to approach to a maximum;[1] for, unless we increase our imports of her peculiar products, there is but little chance of our exports to her being directly or indirectly increased. Generally, however, most countries are in the habit of charging duties on the articles they import from others, and to increase their trade they have merely to reduce or repeal these duties. Hence the extent of a nation's trade is not dependent on treaties with others. It depends entirely, or almost entirely, on its own policy. And the trade of that country will be most extensive and secure that is an universal merchant, and deals with all the world on fair and liberal principles.

NOTE XV.

PETITION OF THE MERCHANTS OF LONDON FOR A FREE TRADE.

We have already referred to the subjoined petition, as forming an æra in the commercial history of the country (p. 218). After being subscribed by the principal merchants of London, it was laid before the House of Commons on the 8th of May, 1820.[2] Similar petitions were subsequently presented from all the great trading and manufacturing towns.

"*To the Honourable the Commons, &c., the Petition of the Merchants of the City of London,*

"Sheweth,

"That foreign commerce is eminently conducive to the wealth and prosperity of a country, by enabling it to import the commodities for the production of which the soil, climate, capital, and industry of other countries are best calculated, and to export in payment those articles for which its own situation is better adapted.

"That freedom from restraint is calculated to give the utmost extension to foreign trade, and the best direction to the capital and industry of the country.

"That the maxim of buying in the cheapest market, and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable, as the best rule for the trade of the whole nation.

"That a policy founded on these principles would render the commerce of the world an interchange of mutual advantages, and diffuse an increase of wealth and enjoyments among the inhabitants of each state.

"That, unfortunately, a policy the very

[1] They would of course be extended by greater facilities of production either on the one side or the other.

[2] This petition was written by Thomas Tooke, Esq., whose elaborate work on Prices evinces a knowledge of principle and a degree of experience and ability, as a practical merchant, rarely united in the same individual.

reverse of this has been, and is, more or less, adopted and acted upon by the government of this and every other country; each trying to exclude the production of other countries, with the specious and well-meant design of encouraging its own productions: thus inflicting on the bulk of its subjects who are consumers, the necessity of submitting to privations in the quantity or quality of commodities; and thus rendering what ought to be the source of mutual benefit and of harmony among states a constantly recurring occasion of jealousy and hostility.

"That the prevailing prejudices in favour of the protective or restrictive system may be traced to the erroneous supposition that every importation of foreign commodities occasions a diminution or discouragement of our own productions to the same extent: whereas it may be clearly shown, that although the particular description of produce which could not stand against unrestrained foreign competition would be discouraged, yet as no importation could be continued for any length of time without a corresponding exportation, direct or indirect, there would be an encouragement, for the purpose of that exportation, of some other production to which our situation might be better suited: thus affording at least an equal, and probably a greater, and certainly a more beneficial, employment to our own capital and labour.

"That of the numerous protective and prohibitory duties of our commercial code, it may be proved, that while all operate as a very heavy tax on the community at large, very few are of any ultimate benefit to the classes in whose favour they were originally instituted, and none to the extent of the loss occasioned by them to other classes.

"That among the other evils of the restrictive or protective system, not the least is, that the artificial protection of one branch of industry, or source of production, against foreign competition, is set up as a ground of claim by other branches for similar protection; so that if the reasoning upon which these restrictive or prohibitory regulations are founded were followed out consistently, it would not stop short of excluding us from all foreign commerce whatsoever. And the same train of argument, which, with corresponding prohibitions and protective duties, should exclude us from foreign trade, might be brought forward to justify the re-enactment of restrictions upon the interchange of productions (unconnected with public revenue) among the kingdoms composing the Union, or among the counties of the same kingdom.

"That an investigation of the effects of the restrictive system, at this time, is peculiarly called for, as it may, in the opinion of your petitioners, lead to a strong presumption, that the distress which now so generally prevails is considerably aggravated by that system; and that some relief may be obtained by the earliest practicable removal of such of the restraints as may be shewn to be most injurious to the capital and industry of the community, and to be attended with no compensating benefit to the public revenue.

"That a declaration against the anti-commercial principles of our restrictive system is of the more importance at the present juncture, inasmuch as in several instances of recent occurrence the merchants and manufacturers in foreign states have assailed their respective governments with applications for further protective or prohibitory duties and regulations, urging the example and authority of this country, against which they are almost exclusively directed, as a sanction for the policy of such measures. And certainly if the reasoning upon which our restrictions have been defended is worth anything, it will apply in behalf of the regulations of foreign states against us. They insist upon our superiority in capital and machinery, as we do upon their comparative exemption from taxation, and with equal foundation.

"That nothing would more tend to counteract the commercial hostility of foreign states, than the adoption of a more enlightened and more conciliatory policy on the part of this country.

"That although, as a matter of mere diplomacy, it may sometimes answer to hold out the removal of particular prohibitions, or high duties, as depending upon corresponding concessions by other states in our favour, it does not follow that we should maintain our restrictions, in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our own capital and industry, because other governments persisted in preserving impolitic regulations.

"That, upon the whole, the most liberal would prove to be the most politic course, on such occasions.

"That, independent of the direct benefit to be derived by this country on every occasion of such concession or relaxation, a great incidental object would be gained, by the recognition of a sound principle or standard, to which all subsequent arrangements might be referred; and by the salutary influence which a promulgation of such just views, by the legislature and by the nation at large, could not fail to have on the policy of other states.

"That, in thus declaring, as your petitioners do, their conviction of the impolicy and injustice of the restrictive system, and in desiring every practicable relaxation of it, they have in view only such parts of it as are not

connected, or are only subordinately so, with the public revenue. As long as the necessity for the present amount of revenue subsists, your petitioners cannot expect so important a branch of it as the customs to be given up, nor to be materially diminished, unless some substitute less objectionable be suggested. But it is against every restrictive regulation of trade, not essential to the revenue, against all duties merely protective from foreign competition, and against the excess of such duties as are partly for the purpose of revenue, and partly for that of protection, that the prayer of the present petition is respectfully submitted to the wisdom of parliament.

"May it therefore," &c.

NOTE XV.

COMMERCIAL REVULSIONS.

A REVULSION may take place in any branch of industry, from political changes, such as the breaking out of a war, the imposition of a new tax, &c., or it may take place from miscalculation on the part of those engaged in the business, from variations in the value of money, &c. The former class of revulsions obviously depend on contingencies that can neither be foreseen nor provided against, and are therefore beyond the sphere of the political economist. But it is otherwise with respect to the latter class, or those occasioned by the miscalculation of the parties, and changes of the currency. Miscalculations most commonly originate in some derangement of the usual proportion between the supply and demand of some species of produce. Suppose, for example, that owing to the opening of new markets, to a change of fashion, or to any other cause, the demand for cotton goods were considerably increased: under such circumstances their price would immediately rise, and the manufacturers would realise comparatively high profits. But the rate of profit in different employments has a constant tendency to equality, and it cannot, unless the principle of competition be counteracted by a monopoly of some sort or other, continue for any considerable period higher or lower in one than in the rest. As soon, therefore, as this rise in the price of cottons took place, additional capital would begin to be employed in their production. The cotton manufacturers would endeavour to borrow fresh capital and extend their business; while a number of those engaged in other departments would withdraw from them, and enter into the cotton trade. Unluckily, however, it is next to certain that this transference of capital would not stop at the point when it would suffice to supply the additional demand for cottons at the old prices, but that it would be carried so much farther as to produce a glut of the market, and a revulsion. A number of causes conspire to produce this effect:—The advantages accruing to a particular class from an increased demand for their peculiar products are uniformly exaggerated, as well by that portion of themselves who, from anxiety to improve their credit, magnify their gains, as by most of those engaged in other businesses. The adventurous and sanguine—those who are particularly disposed to take *omne ignotum pro magnifico*—crowd into a business which they readily believe presents the shortest and safest road to wealth and consideration; at the same time that many of that generally numerous class, who have their capitals lent to others, and are waiting until a favourable opportunity occurs for vesting them in some industrious undertaking, are tempted to follow a similar course. It occurs to few, that the same causes which impel one to enter into a department that is yielding comparatively high profits are most probably impelling thousands. Confident in his own good fortune, the adventurer leaves a business to which he had been bred, and with which he was well acquainted, to enter as a competitor on a new and untried arena; while those already engaged in the advantageous business stretch their credit to the utmost, that they may acquire the means of extending their concerns, and of increasing the supply of the commodity in unusual demand. The result that every unprejudiced observer would anticipate almost invariably takes place. A disproportionate quantity of capital being attracted to the lucrative business, a glut of the market and a ruinous depression of prices unavoidably follow.

In an article in the Edinburgh Review,[1] some rather striking instances are collected of the working of this principle; and means are suggested by which those fluctuations that most frequently lead to miscalculation might be best avoided. Of these, the most efficient will, probably, be the establishment of the system of free trade. By preventing businesses from being carried on unsuitable for a country, and by preventing those that may be advantageously carried on from attracting more of the national capital than what properly belongs to them, this system will tend powerfully to lessen the frequency of revulsions, and to mitigate their violence when they do occur. The revulsion that took place in agricultural industry, in the latter part of 1813, was almost wholly owing to the artificial system on which we had pre-

[1] Number 87, art. 3.

viously proceeded. In consequence of the laws, restricting importation in 1791 and 1804, and of the obstacles which the war threw in the way of importation, the prices of all sorts of corn in this country rose very far above the prices of the Continent. There was, therefore, no opportunity of exporting any excess of produce to a foreign market; so that the moment cultivation became so far extended that we raised, in ordinary years, a supply of corn adequate for our own consumption, the surplus of the first luxuriant crop being thrown wholly on the home markets, necessarily sunk prices far below the cost of production, and involved many farmers in bankruptcy and ruin. And their distress in some subsequent years was principally caused, as already seen, by the efforts made to keep up prices at an artificial elevation.[1]

The true line of policy that governments should follow, as respects commercial affairs, has been distinctly traced by Mr. Alexander Baring (afterwards Lord Ashburton). "The only beneficial care," says he, "a government can take of commerce, is to afford it general protection in time of war, to remove by treaties the restrictions of foreign governments in time of peace, and cautiously to abstain from any, however plausible, of its own creating. If every law of regulation, either of our internal or external trade, were repealed, with the exception of those necessary for the collection of revenue, it would be an undoubted benefit to commerce, as well as to the community at large. An avowed system of leaving things to take their own course, and of not listening to the interested solicitations of one class or another for relief, whenever the imprudence of speculation has occasioned losses, would, sooner than any artificial remedy, reproduce that equilibrium of demand and supply which the ardour of gain will frequently derange, but which the same cause when let alone, will as infallibly restore.

"The interference of the political regulator in these cases is not only a certain injury to the other classes of the community, but generally to that in whose favour it is exercised. If too much sugar be manufactured in Jamaica, or too much cotton in Manchester, the loss of those concerned will soon correct the mischief; but if forced means are devised to provide for the former a temporary increase of demand, which cannot be permanently secured, a recurrence to that natural state of fair profit, which is most to be desired by the planter, is artificially prevented by the very means intended for his relief. And if the cotton manufacturer, on the other hand is to have his imprudences relieved at the expense of those employed on linen, silk, wool, or other materials, the injustice as well as the impolicy of such a remedy need no illustration.

"Whenever the assistance of government is called for by any class of traders or manufacturers, it is usual to make the most splendid display of the importance of that particular branch to the nation at large. The West and East India interests, the shipowners, the manufacturers, the American merchants, have all the means of making these brilliant representations; but it should be recollected that the interest of the state consists in the prosperity of the whole; that it is contrary to sound policy to advance one beyond its natural means, and still more to do so at the expense of others; and that the only mode of ascertaining the natural limits of each is *to leave them all alone.*"[2]

Nothing, however, tends so much to generate a spirit of overtrading, and to occasion commercial revulsions, as sudden changes in the amount and value of money. Those who embark most readily and eagerly in time-bargains, and other speculative adventures, are not, generally speaking, of the class of rich and old-established merchants. They consist principally of those who have but recently entered into business, and who are tempted, by the chance of speedily making a fortune, to engage in such hazardous transactions. And while any unusual facilities in the obtaining of discounts act as powerful incentives to such persons to speculate, it is at the same time obvious that the rise of prices, consequent to an increase of the currency, will not only lead them to believe that their anticipations are being realised, but will, most probably, make even the most considerate merchants withhold their produce from market, in the expectation of a further advance. The miscalculations of particular classes, merely affect themselves, or, at most, exert only a slight influence over the rest of the community; but a revulsion occasioned by a sudden change in the amount and value of money affects every individual, and is always productive of the most extensively pernicious results.

The discount of bills at long dates is also a great stimulus to unsafe speculation. When individuals obtain money which they are not to pay for six, twelve, or perhaps eighteen months, they are frequently tempted to adventure in some sort of undertaking that is not to determine until some distant period; and the consequence is, that when the bills become due, they are most commonly unable to pay them, or can only do so by withdraw-

[1] See note on the Corn Laws and Corn Trade, *antè*, p. 522.

[2] An Inquiry into the Causes and Consequences of the Orders in Council, 1st edit. p. 133.

ing capital at a great loss from businesses in which it is employed.

It is unnecessary to repeat what has been already stated at so much length in the note on Money, as to revulsions occasioned by the overissue and bankruptcy of country bankers, and the prevalence of panics. The total suppression of all local issues would be the best means of obviating this source of mischief. But, in the meantime, the act of 1844 has done much to mitigate the influence of such revulsions as may either have originated in, or been aggravated by, the misconduct of banking companies.

NOTE XVII.

HERRING FISHERY.

An entire change has been effected in the laws under which the British herring fishery was conducted when the Wealth of Nations was published, by the acts of 1808 and 1815, and still more by the 5 G. 4. c. 64 and other statutes

Dr. Smith has justly observed of the tonnage bounty, that as it was proportioned to the burden of the ship, and not to her skill and success in fishing, its real effect was to make ships be fitted out not to catch herrings, but to catch the bounty (*antè*, p. 231). It might have been supposed, that after the public attention had been called to so preposterous a system, it would have been abandoned. This was not, however, the case. A bounty of 3*l*. per ton, on all vessels employed in the deep sea herring fishery of above sixty tons burden, but payable only on one hundred tons, was granted in the year 1809; and in 1820 a bounty of 20*s*. per ton, which under certain specified circumstances might be increased to 50*s*., was granted on all vessels of from fifteen to sixty tons fitted out for the shore herring fishery. And exclusive of these bounties on the tonnage, a bounty of 4*s*. per barrel was allowed on herrings cured gutted. A board of commissioners for superintending all matters connected with the fishery was appointed in 1808. This board was bound to lay an annual report of its proceedings and of the state of the fishery before parliament. It distributed the bounties, and had the control of the officers placed at the different fishing stations, to see that the vessels were fitted out and that the herrings were gutted, packed, and the barrels branded, in terms of the statutes.

But the waste of the public money and the injury done to the regular fishermen, by interlopers from other businesses, tempted by the bounty to engage for a few weeks in the fishery, having gradually become obvious, the bounty system, after some previous reductions, was finally abolished in 1830. And the salt duties having been previously repealed the fishery was then, for the first time, placed on the same footing as other businesses. Since that epoch it has been prosecuted only by regular fishermen, and these having had nothing to rely upon, except their own skill and industry, the fishery has, despite the predictions to the contrary, been very greatly increased. In proof of this we beg to subjoin the following,

Account of the Quantity of Herrings cured, branded, and exported during each of the three years ending the 5th April 1830, and the three years ending 31st December 1861.

Years.	Total cured.	Total branded.	Total exported.
	Barrels.	Barrels.	Barrels.
1828	390,778	279,317	211,659
1829	353,979	234,827	205,875
1830	329,557	218,418	181,654
1859	491,487	158,676	272,979
1860	681,193	231,913	377,970
1861	668,828	265,347	390,313

If we compare this account with the statements in the Wealth of Nations (*antè*, p. 230 and p. 242), the progress of the fishery will appear quite extraordinary.

The repeal of the salt laws, and of the duty on salt, which preceded the repeal of the bounty, was of signal service to the fishery. It is true that salt used in the fisheries was exempted from the duty; but in order to prevent the revenue from being defrauded, so many regulations were enacted, and the difficulties and penalties to which the fishermen were in consequence subjected were so very great, that some of them chose rather to pay the duty upon the salt they made use of, than to undertake compliance with the regulations.

Among the causes that have conduced to the increased prosperity of the herring fishery, and indeed of all our other fisheries, a high place must be assigned to the influence of railways. By opening a speedy and all but immediate communication with all parts of the interior, they enable herrings and other fish to be conveyed quite fresh to any distance from the coast. The demand for them has in consequence been very greatly extended, and the largest "takes" are now readily disposed of. It is stated that from 4,000 to 5,000 tons of fresh herrings are sometimes sent in a single season from Dunbar into the interior.

Trawl nets, or those which sweep the ground, are said to disturb the herring spawn, and are much objected to. It is probable that their employment will be either prohibited or greatly restricted.

It is to be regretted that when the bounty was repealed in 1830, government did not also abolish the "Fishery Board," and the officers and regulations it had appointed and enacted.

So long as the bounty existed it was proper that those who claimed it should be subjected to such regulations as government chose to enforce. But after its repeal we see no reason why the fishery should not have been made perfectly free, and everyone allowed to prepare his herrings as he thought best. It is said, indeed, that were there no inspection, frauds of all sorts would be practised; that the barrels would be ill-made and deficient in size; that the fish would not be properly packed; that the bottom and middle of the barrels would be filled with bad ones, a few good ones only being placed at the top; that there would not be a sufficiency of pickle, &c. But it is obvious that the reasons alleged in vindication of the official inspection in the case of the herring fishery, might be alleged in vindication of a similar inspection in almost every other branch of industry. It is in fact utterly worthless. It is an attempt on the part of government to do that for their subjects which they can do better for themselves. Supposing the official inspection and brand were put an end to, the different curers would have brands of their own; and it would be their object to improve and perfect the quality of their fish, that they might dispose of them more readily and at a better price. It is no answer to this reasoning to say that at present herrings with the official brand are preferred to those without it. The circumstance of its having been long in use, and held forth as a guarantee of goodness, has created, without any just ground, a prejudice in its favour. But when it is abolished, and official *prestige* has ceased to influence opinion, competition will do its work. The fish of those curers that are found to be best and cheapest will be sure to be in the greatest demand; while attempts at fraud will not fail to drive those by whom they may be made from the market.

We may be permitted to observe, before quitting this subject, that according to the opinion of the older naturalists and Pennant, the grand winter rendezvous of the herring was in high northern latitudes; that having recruited themselves after spawning they proceeded in vast shoals southward; and that an immense column coming in contact with the Shetland islands was broken into two grand divisions, whereof one proceeded along the eastern and the other along the western shores of the British isles. But this theory, though long acquiesced in, appears to be completely overthrown. The herring, in fact, is rarely found in the Arctic seas. "There can be no doubt," says Mr. Yarrell, "that the herring inhabits the deep water all round our coast, and only approaches the shores for the purpose of depositing its spawn within the immediate influence of the two principal agents in vivification—increased temperature and oxygen; and as soon as that essential operation is effected, the shoals that haunt our coasts disappear; but individuals are to be found, and many are caught throughout the year." (British Fishes, ii., 185, 2nd ed.)

Though of considerable importance, the value of the herring fishery was for a lengthened period much exaggerated. This appears to have been principally a consequence of the extraordinary statements that were long current in regard to the magnitude and importance of the fishery carried on by the Dutch. That they prosecuted it to a great extent, and with great success, is indeed true. But it is a mere absurdity to suppose that they ever had, as has been often stated, 450,000 individuals engaged in it and in its subordinate employments on shore. We doubt, indeed, if they ever had so many as 40,000 persons so employed. The entire population of the republic did not then exceed 2,400,000 or 2,500,000 persons; and deducting therefrom a half for women and from a half to two-thirds of the remainder for old men, children, and boys, it would follow, if the statement referred to were good for anything, that nearly all the able-bodied male population of Holland had been engaged in the herring fishery! And singular as it may seem, this ridiculous statement, having been adopted by Raleigh and De Witt, has maintained its ground down to our own times.[1]

The herring was unknown to the ancients, being rarely, if ever, found within the Mediterranean. The Dutch are said to have engaged in the fishery in 1164. The invention of pickling or salting herrings is ascribed to one Beukels, or Beukelson, of Biervliet, near Sluys, who died in 1397. The emperor Charles V. visited his grave, and ordered a magnificent tomb to be erected to his memory. Since this early period, the Dutch have uniformly maintained their ascendancy in the herring fishery; but owing to the Reformation, and the relaxed observance of Lent in Catholic countries, the demand for herrings upon the continent is now far less than in the fourteenth and fifteenth centuries.

NOTE XVIII.[2]

NAVIGATION OF THE EGYPTIANS.

The unqualified assertion of Dr. Smith that "the ancient Egyptians had a superstitious antipathy to the sea," (p. 163) embodies one of those common errors which when once received, pass from hand to hand unchallenged,

[1] It is, we regret to say, repeated in the new or 8th edition of the Encyclopædia Britannica, ix. p. 639.

[2] We were indebted for this note to the late Dr. Browne, of Edinburgh; who raised himself, by his articles on Hieroglyphics and the History of Roman Literature, in the Edinburgh Review, to a prominent place in the first class of critics and scholars.

and for a time impose even on the most scrupulous; like a counterfeit coin tolerably lackered, which, thrown into the general currency of the country, continues to circulate till suspicion or accident lead to the application of a decisive test, by which the false gloss is washed off and the worthless imitation exposed. At the period when Dr. Smith wrote, and for a considerable space thereafter, few accurate notions were entertained respecting the history, literature, antiquities, and political condition of Egypt, under the different dynasties of its native princes. A dense, if not impenetrable cloud overshadowed the annals of the most interesting kingdom of the ancient world; and it was not till recent discoveries had promised to furnish a key for deciphering the sculptures on its monuments and the hitherto mysterious writings on its papyri, that the learned began to examine with sufficient care the statements of the Greek and Roman writers, and to compare them with the facts which accident, ingenuity, or investigation had brought to light. Prior to this æra, (for such it unquestionably is,) the ancient Egyptians were almost universally supposed to have held the sea in abhorrence, and to have been utter strangers to navigation; and so inveterate had the error become, that a late distinguished writer on geography, M. Malte-Brun, adopts the statement in question as one of that class of truths which admit of no dispute, and are acquiesced in as soon as they are enunciated.[1] But there seems to be the strongest reason for dissenting from a statement founded upon an impression incautiously received from the Greek writers who visited Egypt in the days of her adversity, and inconsistent with many of the facts disclosed by the very authorities from which it has been derived.

Such, according to Plutarch[2], was the detestation of the ancient Egyptians for the sea that they symbolised it by Typhon, or the evil demon. The priests, too, abstained from fish, and never made use of marine salt[3], which they denominated the froth of Typhon. But these miserable superstitions had probably only a partial existence, and were not observed beyond the precincts of the sacred college. Besides, the worship of Osiris seems to have been often confounded with that of the Nile. The god was feigned to have been destroyed by Typhon, and the waters of the river were lost in the sea of which Typhon was the emblem or symbol.[4] Hence the mythologists naturally represented the sea as hostile to the stream, and identified it with the malignant demon, the enemy of Osiris. But among a grave and learned nation these allegorical vagaries can scarcely be supposed to have had much political influence; and we shall find in the sequel that they had none whatever *before* the period when Egypt was compelled to submit to her Persian conquerors.

Naucratis, we are told by Herodotus[5], was the only Egyptian seaport open to the navigators of the Mediterranean until the reign of Psammeticus; and there all the commerce of Egypt was concentrated. A foreign vessel entering any other harbour, unless compelled to do so by stress of weather, was condemned; and strangers, who landed on any other part of the coast, were considered as enemies and expelled as invaders, except under the circumstances just mentioned. Ameilhon[6] considers this regulation merely in the light of "une mesure financière pour faciliter la perception des droits de douanes;" but Reynier[7] and most others suppose it to have proceeded from the dislike entertained by the Egyptians for foreigners, especially navigators; and it is advanced as a proof of their indifference to commerce, and their peculiar prejudices against all naval enterprises. The Phœnicians, however, were the only people on the shores of the Mediterranean with whom the Egyptians traded in remoter times; and being a nation of kindred origin and descent, it may well be doubted whether the regulation mentioned by the Greek historian was ever meant to be enforced against *them*, or whether it was not intended to apply to a case of a totally different description. Various considerations, indeed, unite to support the latter opinion. It is obvious, from events which occurred during the reign of Psammeticus himself, that Greek pirates were in the habit of making frequent descents on the coast of Egypt, for purposes of plunder. "The ancient kings of Egypt," says Strabo[8], "were satisfied with the productions of their own country, hating (διαβεβλημένοι) all navigators, but especially the Greeks." But if the Greek navigators who landed in Egypt plundered the country whenever they found an opportunity of doing so, the antipathy shown to them by the Pharaohs was not very wonderful; and surely this of itself is sufficient to account for all that Herodotus, Diodorus, and Strabo

[1] Précis de la Géographie Universelle, tome i. p. 13. Paris, 1812.
[2] De Iside et Osiride. p. 363. *et seq.*
[3] Except during the seasons of fasting and purification, they appear to have used *fossil* salt. Plut. *Symp.* lib. v. c. 10.
[4] Plutarch (*De Iside, &c.* ubi suprà) expressly says that Typhon was held to represent the sea into which the waters of the Nile flow and are swallowed up.
[5] Lib. ii. c. 179.
[6] Commerce des Ptolemées, p. 277.
[7] De l'Economie Publique et Rurale des Egyptiens et des Carthaginois, p. 251.
[8] Geogr. lib. xvii.

have said of the "superstitious aversion to the sea," alleged to have been entertained by the ancient Egyptians. The monarchs of Egypt established the regulation in question, not to preclude the intercourse of their subjects with foreigners, but to prevent the intrusion of pirates; not to confine foreign commerce with the narrowest possible limits, but to protect their dominions against the buccaneering expeditions of the Greeks, who in ancient as in modern times infested the shores of the Mediterranean, and committed the greatest atrocities. It seems unreasonable, therefore, to attribute to an absurd prejudice what can be accounted for on obvious principles of prudence and policy, or to judge of the statements of the Greek writers apart from the considerations by which they are reconciled and explained. If the horror of the sea ascribed to the ancient Egyptians had been as great as has been pretended, the total extinction of all commerce and navigation would have been the consequence; and if this sentiment had been the offspring of religion, no trace of naval enterprise would be discernible while that religion or superstition maintained its full ascendency. The Hindoos at this day are under the dominion of a creed similar in this respect to that attributed gratuitously to the ancient Egyptians; and we will venture to affirm, that among all their numerous legends and traditions there is not one from which it can be inferred that the followers of Brahma ever committed themselves *truci pelago*, far less constructed fleets and undertook distant and dangerous expeditions. Had the superstitious prejudices of the Egyptians been analogous to those of the Hindoos, would not their annals have been equally barren of naval achievements? It ought to be kept in view, however, that when the Greeks began to acquire the rudiments of civilisation, to settle down into regular communities, and to abandon their piratical and predatory courses, the regulation above referred to was relaxed, even in regard to them; and after the reign of Psammeticus, no obstruction whatever was offered to their maritime intercourse with Egypt,—a striking proof, as appears to us, of the soundness of the interpretation which has been now given.

But the very writers upon whose authority it has been rashly alleged that "the ancient Egyptians had a superstitious aversion to the sea," afford sufficient evidence to induce us to draw a different conclusion. When Plutarch and Diodorus, for example, relate, without animadversion, the voyages of Osiris [1], they at the same time tacitly admit the Egyptians to have been a maritime people from the earliest period of their history. Osiris, according to them, was a great navigator; and hence the figure of a ship or boat is one of the emblems accompanying the representation of this deified prince, as well as that of his sister-spouse Isis, on the monuments. But a great navigator can scarcely be supposed to have been the king of a people who were utter strangers to, and filled with a religious hatred of, navigation. It may be said, indeed, that the voyages of Osiris are entirely fabulous, and that no safe conclusions can be drawn from the mythological legends of so remote an antiquity. The writers above named, however, do not contest the truth of these voyages, which they ought to have deemed impossible, if the sea had always been an object of abhorrence to the Egyptians, and if that people had been always totally unacquainted with the art of navigation. Again, Sesostris, who is generally supposed by chronologists to have flourished about seventeen centuries before our era, fitted out a fleet of 400 sail, with which he navigated the Erythræan Sea and the Indian Ocean; while a powerful army marched through Syria, Persia, and India, as far as the sea which separates China from Japan; whence returning by a northern route, with the king at its head, it traversed Scythia, as far as the Tanais, and having established a colony at Colchis, on the eastern shore of the Euxine, penetrated into Europe and conquered Thrace, where the expedition terminated. [2] Such is the account given by Diodorus in his seventh book; and Pliny, who refers to it, adds, that many of the ships composing the fleet were of large dimensions. Is it probable, then, that a fleet of 400 large

[1] Vide Jablonski, *Pantheon Ægyptiorum*, lib. ii. c. 1. *Origines*, b. iv. c. 4.

[2] Jameson (*Spicilegia Antiq. Ægypti*, c. xiv. p. 328. Glasg. 1720) maintains, "*Sesostrim, ut a vulgo scriptorum describitur, nunquam spirasse;*" and others have adopted and defended the same hypothesis. The recent discoveries in hieroglyphics, however, have furnished new and unexpected proofs of the real existence of this renowned conqueror, and supplied a conclusive answer to all the quibbles of Jameson and others who have espoused the sceptical side of the question. From a copious deduction of facts equally obvious and indisputable, it has been demonstrated, that the Egyptian sovereign, described in his royal hieroglyphic legend, as "*Approved by the Sun, Beloved of Ammon, Son of the Sun, Rameses,*" is the same prince with the *Rhamses* of Tacitus, the *Ramesses* or *Rameses* of Manetho, the *Sethos* or *Sethosis* of the same historian, (who expressly says, *apud Josephum*, lib. i. p. 1053. that *Sethos* also bore the name of *Ramesses*,) the *Sesoosis* of Diodorus, and the Sesostris of Herodotus and Strabo. (Champollion, *Précis du Système Hieroglyphique*, p. 226.) His name occurs also in the Royal Canon of Manetho; and in the Chronological Table of Abydos, discovered by Mr. Bankes; it is found, with its appropriate legend, on all the monuments of the age to which it belongs; and every notice which history has preserved, is confirmed by the inscriptions that have already been deciphered. If all this concurrent evidence is to be rejected, and if Sesostris and his exploits are to be considered as fabulous, the whole history of ancient Egypt, which rests on no better foundation, must, at the same time, crumble down, and be abandoned as unworthy of attention or examination. On the subject of *Rhamses or Sesostris*, see the remarkable passage of Tacitus, *Annalium*, lib. ii. p. 78. Amstelod. 1649

ships would be created in the very infancy of navigation? Nay, does not its very existence presuppose a long acquaintance with naval affairs, and much experience both in the construction and management of ships? The voyages of Cecrops, of Cadmus, and of Danaus, all of which took place more than 1400 years before Christ, equally announce the ancient Egyptians to have been a people accustomed to undertake distant naval expeditions. For if they had possessed neither ships nor mariners, as has been generally alleged, they could not have founded colonies either in Greece or on the shores of the Euxine; yet the Cecropian towers were built by one Egyptian colony, and the plains of Colchis peopled by another.[1]

Prior to the reign of Psammeticus, the Greeks, as is clear from the joint testimony of Herodotus and Diodorus, had but little commercial intercourse with the Egyptians; and they appear to have derived whatever knowledge they possessed of the history of Egypt, antecedently to that period, from the doubtful and discordant communications of the priests. We cannot, therefore, be surprised if they have furnished us with no distinct or continuous history of the naval enterprises of the Egyptians from the age of Sesostris to that of Nechos, the son of Psammeticus — a period in regard to which they were evidently destitute of any accurate or even probable information. No sooner, however, could they speak from their own observation, than they announced the naval enterprises of the Egyptians. Nechos sent a fleet from the Red Sea, which is asserted by the concurrent testimony of antiquity to have circumnavigated Africa, and returned to Egypt by the Mediterranean — at least to have sailed from the Red Sea and returned by the Mediterranean, which necessarily implies the circumnavigation of Africa, and of course the doubling of the Cape, which is commonly supposed to have been first achieved in modern times. It is true Herodotus states, in his fourth book, that Nechos employed in this celebrated expedition Phœnician ships and Phœnician mariners; but he had said before in his second, that the same Egyptian monarch built ships of three banks of oars both on the Red Sea and the Mediterranean. Now, if this were true, there could be no reason why Nechos should have hired vessels from the Phœnicians. The Egyptians had a navy of their own, and a navy, too, superior to that of the Phœnicians; for no fact of ancient history is better authenticated than that Apriès, the grandson of Nechos, defeated the king of Tyre in a great and decisive naval battle.

How then is it possible to believe that the Egyptians were a people who detested the sea, symbolising it as Typhon, or the evil demon, and that they were utter strangers to the art of navigation? Is it conceivable that a people who had once 400 large ships should suddenly abandon all naval enterprises, and give themselves up to the superstitious and absurd prejudices which have been ascribed to them? The fleets of Sesostris, as we have seen, navigated the Erythræan Sea and the Indian Ocean. After the time of that monarch, Egyptian colonies passed into Europe, and established themselves in Attica, Bœotia, and Argos. The vessel in which Armais, whom the Greeks call Danaus, arrived in Greece, is said to have had fifty banks of oars. The fleet of Nechos sailed from Suez, on the Red Sea, and, after circumnavigating Africa, returned to the Canopic mouth of the Nile. In the time of Apries, the Egyptians disputed the empire of the sea with the Phœnicians. Such is the information given us by the Greeks[2], who, at the same time allege that the Egyptians hated the sea, and were ignorant of the art of navigation! This apparent contradiction may, however, be explained and reconciled with facts known and admitted on all hands. When the Greek writers above named visited Egypt, the Egyptians were a conquered people; the religious frenzy and iconoclastic madness of the Persian invasion had passed over them, overturning the temples of their gods, and the monuments and palaces of their kings; desolating, oppressing, and destroying. Herodotus sojourned in Egypt after this dreadful tempest had expended its fury, leaving every-

[1] *Origines*, ubi suprà.

[2] The Greeks, who erected temples to Isis, as the protectress of mariners, must have borrowed their notions of that goddess from the Egyptians. She was represented by different deities among the Greeks and Romans, but her identity can never be mistaken. According to Plutarch, she was the same with Thetis; she is addressed in Apuleius as *Regina Cœli, sive tu Ceres, seu tu cœlestis Venus*; Homer, Hesiod, and Plato point out the same divinity, under the name of Aphrodite. But if Venus was the patroness of navigation, Isis was adored under the same character, and was therefore identical with the sea-born Venus. The Corinthians built temples to her under the names of the Egyptian and Pelagian Isis; and Juvenal, in speaking of the votive tablets hung up by mariners, says, *Pictores quis nescit ab Iside pasci?* Many temples were consecrated to Isis in the seaport towns, not only of Greece but of Italy and Gaul. The Egyptians celebrated a festival in her honour, which was called the festival of the ship; and hence a ship became the symbol of the goddess, under which form she was worshipped from a very remote antiquity. Tacitus has this remarkable passage: *Pars Suevorum et Isidi sacrificat; unde causa et origo peregrino sacro, parum compert, nisi quod signum, in modum liburnæ figuratum, docet advectam religionem.* That the worship of Isis under the form of a ship was of Egyptian origin, no one will doubt; but how this superstition found its way among the Suevi, it will be difficult to conjecture, unless we suppose the ancient Egyptians to have been less hostile to strangers, and more accustomed to navigation, than some modern authors seem willing to allow. *Origines*, ubi suprà.

where the wrecks and traces of its terrible course, and after the people had suffered the most cruel and continued persecution of which history affords us any example. Diodorus Siculus, Strabo, and Plutarch, knew them after they had been long humbled under the authority of their Greek and Roman masters. The spirit, the energy, the independence of the nation were gone; its superstitions only remained. After the invasion of Cambyses and his fire-worshippers, the Egyptians had neither ships nor mariners; but that this was not the case in the time of the Pharaohs, has, we think, been clearly shown from the writings of those very authors who ascribe to them "a superstitious aversion to the sea."

Finally, this conclusion will derive additional probability, or, rather, it will attain to almost perfect certainty, if we attend to the physical configuration of the country. Egypt consists principally of a valley watered by the Nile, by which indeed it is partly formed, and confined on the right and left by a barren expanse of deserts; and the greater part of this valley is annually submerged by the overflowings of the river, which impart to the soil the requisite moisture, and cover it with a fertilising mud. The rise of the Nile commences with the summer solstice; it attains its greatest height at the autumnal equinox, when the whole of Lower Egypt is in fact a lake or sea; and after continuing stationary for some days, it diminishes at a less rapid rate than it rose.[1] It is plain, therefore, that the inhabitants of Egypt must from the earliest times have been accustomed to navigation; and for this obvious reason, that in the ordinary state of the river it afforded the easiest and readiest communication between the different parts of the country, and during the period of the inundation it was equally indispensable to the existence of the people, and the preservation of the animals which they reared, either for domestic uses or from motives of superstition. The Nile is not only a source of fertility but a great natural channel of communication; and the very circumstance which renders it the one must necessarily have converted it into the other. But as the tendency of mankind is to advance and improve their condition, by cultivating the arts to which their attention has from natural or other causes been directed, it is not consistent with experience to suppose that the Egyptians, who inhabited a country traversed longitudinally by a great river, and were annually compelled to navigate an inland sea, should not, at a very early period, have ventured beyond these limits, and tempted the hazards and perils of the ocean.

[1] Malte-Brun, vol. iv. pp. 19 and 25. Eng. trans.

NOTE XVIII.

DISPOSAL OF PROPERTY BY WILL.

History, Advantages, and Disadvantages of Entails. — Primogeniture. — Law of Equal Succession. — Effects of that Law in France. — Law of Landlord and Tenant in Ireland. — Ditto in Scotland. — Effects of these Laws.

THE history of entails is involved in a good deal of obscurity. Dr. Smith contends that they were altogether unknown to the ancients, and that they were orignally introduced, during the middle ages, to preserve that lineal succession, of which the law or custom of primogeniture first gave the idea. (*Antè* p. 170.) There seem, however, to be good grounds for doubting the perfect accuracy of this opinion. In the more early ages, the power of devising property by will is confined within very narrow limits. A man's children, or, in their default, his relations, are then exclusively his heirs; and it is only in a comparatively advanced and refined period that the advantages derivable from allowing individuals to bequeath their property to strangers, in preference to the heirs of their own body or their immediate connections, are fully perceived and admitted. But when the right to bequeath property to any particular heir has been recognised, it seems easy and natural further to recognise the right of the devisor to name an indefinite series of heirs, and to prescribe the conditions on which they shall be entitled to hold the property. The *fideicommisses*, or trust settlements of the Romans, were devised for the express purpose of retaining the estates of the individual, making the settlement, in the line of succession he had pointed out. In the latter ages of the empire, it was customary to insert prohibitive and irritant clauses in the *commisses*, similar to those inserted in modern entails; and, as such settlements were sanctioned by law, they entailed property for the four generations to which their duration was limited.[2]

The succession to landed estates in modern Europe has been generally regulated by the custom of primogeniture. During the violence and confusion of the middle ages, land was the only species of property that had any thing like even tolerable security; and deficient as it was, that security could be enjoyed only by the possessors of large estates, who could arm and bring together a considerable number of vassals and retainers to support and defend their rights. It was plainly, therefore, for the interest of the landed proprietors to prevent their estates from being split into small portions, and to transmit them entire to their successors. And as the military and other feudal ser-

[2] Sandford on Entails, p. 13

vices, due by the possessors of fiefs to the crown could be more easily and conveniently paid by one than by many feudatories, both parties found it for their advantage to prevent the subdivision of estates, by introducing and establishing the laws of entail and primogeniture.

It was customary in England, from a pretty remote epoch, to settle estates upon individuals under certain conditions and stipulations. Modes, however, were speedily found of eluding these; and in order to obviate such evasions, the statute of the 13th Edward I. cap. 1. (*de donis conditionalibus*) was enacted. This statute, which established a system of perpetual entail, was planned by the greater barons to prevent, not the alienation merely, but also the forfeiture of their estates. An attainder could only occasion the forfeiture of the property belonging to the person attainted, or such as he was entitled to alienate; but the moment that effect was given to the clauses against alienation and the contraction of debt, the person in possession of an estate was reduced to the condition of a liferenter, and the estate went to the next heir notwithstanding his attainder. This statute continued in force for about two hundred years. It was, however, productive of the most injurious consequences. "Children," says Mr. Justice Blackstone, speaking of this law, "grew disobedient when they knew they could not be set aside: farmers were ousted of their leases made by tenants in tail; for, if such leases had been valid, then, under colour of long leases, the issue might have been virtually disinherited: creditors were defrauded of their debts; for, if a tenant in tail could have charged his estate with their payment, he might also have defeated his issue by mortgaging it for as much as it was worth: innumerable latent entails were produced to deprive purchasers of the lands they had fairly bought; of suits in consequence of which our ancient books are full: and treasons were encouraged, as estates-tail were not liable to forfeiture, longer than for the tenant's life. So that they were justly branded as the source of new contentions, and mischiefs unknown to the common law; and almost universally considered as the common grievance of the realm."[1]

Owing, however, to the security which the statute of Edward I. gave to the estates of the nobility against forfeiture, they could not be brought to consent to its repeal or modification. But what it was thus impossible to accomplish by the direct interference of the legislature was at length effected by a contrivance, or, as Blackstone has termed it, a *pia fraus* of the lawyers. Edward IV. observing the little effect that attainders for high treason had in securing the allegiance of families whose property was protected from forfeiture by entails, instigated the lawyers to fall upon a device for breaking them by a judgment in a feigned suit called a *recovery*. The inroad that was thus successfully made on the inviolability of entails led to others; and in the reigns of Henry VII. and Henry VIII. various acts were passed, circumscribing the power of entail, and placing it nearly on the footing on which it stands at this day.[2]

If we might be allowed to hazard an opinion on such a point, we should say, that in its present state the English law of entail has come very near perfection. It seems to have hit the precise medium most desirable to be attained, by giving every individual that degree of power over the disposal of his property which is necessary to inspire him with the desire of accumulating a fortune; at the same time that it takes from him the power of naming an indefinite series of heirs, and of fixing the conditions under which his property shall be always enjoyed. An English gentleman may entail an estate on such heirs as are in existence when the deed is executed and until the first unborn heir of entail attain the age of twenty-one: But at this point the destination stops; and such heir is then emancipated from the restrictions imposed by the entail, and holds the estate in fee-simple. The heirs named in the entail, though they cannot alienate the estate, or encumber it with debt, are allowed to grant leases which are good against their successors for three lives, or twenty-one years.

The practice of entailing originated in Scotland at a comparatively recent period. The earliest entail on record is that of the estate of Roxburgh, dated in 1648; and the practice was first established on a solid foundation by the statute of 1685, which reduced heirs of entail to the condition of mere tenants for life, and gave the entailer the power of regulating the perpetual destination of the property. This act seems to have been intended, like the English act of Edward I., not merely to prevent the alienation of the property of those executing an entail, but also to protect it from forfeiture. At the period when it was passed, Scotland was subject to the most revolting despotism. Acts that had previously been considered either as innocent or as constituting only a very venial offence, were declared treasonable; statutes were enacted with clauses having a retrospective operation, and intended to strike at individuals who had done nothing cognisable by any existing law; while, had the other engines of tyranny been insufficient, the servility of the judges rendered it impossible for any one to escape, against whom the crown lawyers instituted a prosecution. Under these distressing circum-

[1] Commentaries, book ii. chap. 7.

[2] It was ruled by these acts, that an heir of entail, attainted of high treason, forfeited the estate for himself and his issue; but the rights of third parties, or of *remainder men*, as they are styled, were not affected by the forfeiture.

stances, the estates were glad to adopt any device that promised to give any greater security that their properties would escape the forfeitures to which they were so much exposed: and in this view, as well as in the view of preventing their alienation, they passed the act of 1685, authorising the establishment of entails, with a tacit belief that a forfeiture would affect only the life interest of the possessor, and that, on his death, the property would descend to the next heir.[1] This principle was indeed expressly sanctioned by an act passed in 1690, after the expulsion of the Stuart dynasty. But in the reign of Queen Anne the Scotch law of forfeiture was placed on the same footing as the English.

The system of entail, established by the act of 1685, has been acted upon ever since, and has been carried to a very great extent. It appears from the register, that previously to that date, only twenty-four entails had been executed in Scotland, but the practice has since been progressively and rapidly extended. There were recorded between

1685 and 1705,	79	entails.
1705 — 1725,	125	—
1725 — 1745,	158	—
1745 — 1765,	138	—
1765 — 1785,	272	—
1785 — 1805,	360	—
1805 — 1825,	459	—
1825 — 1845,	420	—
in 1845,	25	—
— 1846,	30	—

It is not easy to learn the exact proportion of the landed property of Scotland subject to entail. Dr. Smith, and, previously to him, Sir John Dalrymple, estimated the entailed lands at about a fifth part of the whole. But the foregoing table shows that the number of entails has been nearly doubled since 1785; and it is most probable that at present (1849) a full *half* or more of the landed property of Scotland is entailed. In corroboration of this estimate it may be mentioned, that it is stated in the General Report of Scotland, published in 1814, that while the valued rent of Scotland amounts to 3,804,221*l.* Scotch, the valued rent of the estates under entail amounts to 1,213,279*l.* Scotch. According, therefore, to this statement, it would appear that in 1811, the period to which the estimate refers, about a third part of the landed property of Scotland was entailed; and as a very great number of entails have been executed since 1811, it may be fairly concluded that the lands under entail exceed at this moment (1849) a half of the whole.

Attempts have been made, at different times, to effect some modification of the law of entail. In 1761, the Faculty of Advocates, after agreeing by a large majority (forty-three to four) to resolutions against it, drew up the heads of a bill for restraining entails, on a plan suggested by Lord Kames; which, had they been embodied in a statute, would have placed the Scotch system of entail nearly on the same footing as the English. The project excited a good deal of discussion at the time; ultimately, however, it fell to the ground, and, till last year (1848), no vigorous effort was afterwards made to check the practice. Additions were daily made to the lands in tail; and in many extensive and populous districts hardly an acre is now to be found not burdened with its fetters.

The law of entail is said by lawyers to be founded on the maxim of the civil law, that every one has a natural right absolutely to dispose of his own property, *unusquisque est rei suæ moderator et arbiter*. But natural rights may safely be left out of view in the discussion of this question. The power of making settlements and testamentary dispositions of property after death, is a purely civil right, and is everywhere conceded, regulated, and limited by law.[2] We are not, therefore, to decide in regard to the policy or impolicy of entails, by a reference to abstract or imaginary principles, but by an examination of their real operation and practical influence. In this, as in all similar cases, we must defer to the test of utility, that is, we must institute a comparison between the advantages and disadvantages resulting from the practice of entailing, and decide for or against it as we find the one or the other predominate. The following seem to be amongst the principal topics to be attended to in forming a correct conclusion as to the effect of entails.

In the first place, it is alleged in their favour, that they stimulate exertion and economy, that they hold out to honest industry and ambition the strongest and safest excitement, in the prospect of founding an imperishable name and a powerful family, and of being remembered and venerated by endless generations, as their chief and benefactor; and, in the second place, it is said that entails form the only solid bulwark of a respectable aristocracy, and prevent generations from being ruined by the folly or misfortunes of an individual.

That the prospect of founding a powerful family, and of securing property accumulated in a long course of laborious and successful exertion, from the risk of being squandered by the inconsiderate projects or extravagance of any future individual, must act as a powerful spur to the industry and ambition of the founder of a family, is unquestionable. But here the beneficial influence of the sys-

[1] Laing's History of Scotland, vol. iv. p. 106, 3d ed.

[2] Digest, lib. xxviii. tit. 1. § 8; Montesquieu Esprit des Loix, liv. xxvi. c. 1; Blackstone, Book ii. c. 32, &c.

tem stops. The operation on the subsequent holders of the property is entirely different. An heir of entail is in great measure emancipated from the influence of that parental authority which, though occasionally abused, is yet, in the vast majority of instances, exerted in the most indulgent manner, and with the best effects. His chance of succeeding to the property of his ancestors does not depend on his having deserved it—on his being industrious or idle, dissipated or sober. The succession to entailed estates is not regulated by the principle of *detur digniori*. Their occupiers have no power to change the established order of succession; they cannot exclude the worst to make room for the best of their sons; but must submit to see the properties of which they are in possession descend, as in fact they not unfrequently do, to the most worthless and depraved of their children or relations. Granting, therefore, that the institution of entails has a tendency, as it undoubtedly has, to make one generation active, frugal, and industrious, it is demonstrably clear, that it must exempt every succeeding generation—that is, every succeeding heir of entail—from feeling the full force of some of the most powerful motives to such conduct. A system of perpetual entail makes the succession to property depend, not on the good or bad conduct of the individual, but on the terms of a deed, written a century, perhaps, before he was in existence. It consequently substitutes a species of fatalism for an enlightened discrimination, throwing property indifferently into the hands of the undeserving and the deserving: and it cannot do this without weakening the motives which stimulate men to act the part of good citizens, and strengthening those of an opposite description. Hence, on referring to the criterion of utility, it is immediately seen that the industry of *one* generation is not to be purchased by the idleness of *all* that are to come after it; and that it is hardly less injurious to allow an individual to appoint his remotest heirs than it would be to deprive him of the power of nominating his immediate successors.

As to the second point, there can be no doubt that a system of entail affords the best attainable security for the permanence of property in particular families. And as individuals possessed of property act, generally speaking, with more independence, and are less liable to be biassed by purely selfish considerations than those who are comparatively poor, it would seem that the privilege of executing a perpetual entail of a certain amount of property might be advantageously allowed to noble families. We should, indeed, be disposed to think that in the case of such families it would be beneficial to carry this principle a little farther, and to enact that no individual should be advanced to the peerage, unless he were able to establish a *majorat*, or to entail such an extent of landed property on the heirs of the title as might be deemed sufficient to secure them, supposing they acted with ordinary prudence, from falling into a state of poverty, and becoming mere dependents on the crown. But though the power of entailing property were conceded to noble families, vested with the hereditary prerogative of legislation, it might be confined within certain limits, and made to vary with the entailer's rank in the peerage. And there is no reason, on political grounds, for conceding such power to others. A system of perpetual entail is, in a general point of view, certainly injurious; and though constitutional considerations may require that the privilege should be granted, under proper modifications, to a particular class, they can never require that it should be granted to all. It is not possible to interfere to protect the families of the commons, from the casualties to which they are naturally subject, by sanctioning a system of perpetual entail, without producing injurious results. It is the duty of government to adopt such regulations as may most effectually call forth industry and economy among all classes of its subjects, and give stability to our institutions; but it is no part of its duty to inquire whether the frugality of those on the box of a county member's coach, and the extravagance of those inside, bid fair to make them change places; and still less to attempt preventing such change by raising artificial ramparts round the property of the latter.

By preventing the sale of land, or placing it, as the lawyers say, *extra commercium*, entails are obviously adverse to the spread of agricultural improvement. Should an individual who has no taste for rural pursuits, or who is ignorant of the best mode of managing land, succeed to an entailed estate, he cannot dispose of it to another; so that property is thus frequently hindered from coming into the hands of those who would turn it to the best account.

Under the system of entail, as it existed in Scotland previously to 1770, an entailer might insert clauses in the deed of entail, prohibiting the granting of leases for any term of years, however short, and the burdening the estate with any debts, though they had been contracted to effect the most indispensable improvements. Such a system was hostile to every sort of melioration; and the wish to remedy its evils occasioned the passing of the statute, 10 Geo. III., cap. 51, entitled, "An act for the improvement of lands in Scotland held under strict entail." This act effected some very important alterations. It authorised the holders of entailed estates, notwithstanding any stipulations to the contrary in the deeds of entail, to grant leases of ninety-nine years of patches of ground, not exceed-

ing five acres to one person, for the purpose of building; it also authorised them to grant leases of farms for nineteen years, and under certain stipulations for thirty-one years; and it gave the heir in possession power to burden the estate to the extent of four years' rent for agricultural improvements, and of two years' rent for the erection of a mansion house, being in all six years' rent, provided he contributed towards these objects a fourth part of the total outlay, or a third part of what might be charged upon the estate.

In so far as respects the granting of leases, this act left little to be desired. And the decisions in the courts of law prohibiting the pernicious practice of taking fines (*Scotice grassums*) at the commencement of a lease,[1] placed the letting of entailed estates on a very advantageous footing. But with respect to improvements the case was different. From a laudable wish to protect heirs of entail from the risk of being burdened with collusive debts, not really contracted on account of improvements, the framers of the act of 1770 rendered it necessary, in order properly to constitute a debt against an entailed estate, that the strictest attention should be paid to a variety of formalities, with respect to the intimation of the improvements, the registration of the accounts, &c.; and in consequence of the difficulty of complying with its provisions, this part of the statute has not been very extensively acted upon. Individuals were but little inclined to advance money upon a security that might, at any time, be cancelled, should it be discovered that the formalities required by the statute had not been literally complied with. Several cases of this sort, productive of great hardship to the parties, have occurred. And to obviate these inconveniences, and at the same time to facilitate improvements, the act 11 and 12 Vict. cap. 36, empowers the Court of Session, if it shall appear to them that improvements executed upon an entailed estate are of the nature of those contemplated in the act of 1770, and that the expenditure on their account has been made *bona fide*, to constitute it a burden upon the estate, in the same manner as if the provisions in the statute had been fully complied with. This act, also, authorises the heir in possession of an entailed estate to convert the debts secured upon it for improvements, into an annual rent-charge on the estate, at the rate of 5 per cent. per annum on the amount of such debts during his own life, and of 7½ per cent. per annum during the 25 years immediately thereafter, when the rent ceases and the debt is discharged. The act of 1770 is not to apply to any entail dated on or after the 1st of August 1848.

[1] For some observations on this practice, see *ante*, p. 174, note.

It has, however, been said, that whatever facilities for the execution of improvements may be given to the holder of an entailed estate, it is not to be supposed that he will undertake such as do not promise an immediate return, or that he will either build or plant with the same spirit that he would do did he possess the estate in fee simple, and had power to dispose of it as he pleased. But though this statement be in the main well founded, it will be found, on examination, that entails are not in these respects so injurious as might at first be supposed. There are comparatively few cases in which an entailed proprietor would choose, supposing he had the power, to alter the order of succession pointed out in the entail. And though his zeal for improvement may in many instances be very considerably abated, it should be observed, that, with the exception of farm buildings and roads, the greater number of improvements usually effected by landlords go rather to beautify and embellish than to add to the real utility or productive power of an estate. Most meliorations of the soil are effected by tenants. And now that leases of entailed estates may be granted of a sufficient length, and that the capital of the tenant is not swallowed up by a fine on his entering into the farm, the injurious influence of entails, though still sensibly felt, has been materially diminished; and very many estates held under entail are at this moment in the highest state of cultivation and improvement.

Except in so far as entails weaken parental authority, and are apt to render heirs undutiful or dissolute, we are not disposed to attach much weight to the complaints of the hardships they are said to impose on the holders of estates subject to their fetters. The principal is, that they prevent them from making adequate provision for their widows and younger children. A recent statute (5 Geo. IV. cap. 87.) did, however, a good deal to obviate this complaint; though, supposing it not to have been enacted, the complaint does not seem to be entitled to much attention. The want of power to burden an entailed estate with provisions for younger children, acts as an incentive to the heir in possession to accumulate a monied fortune. A landed gentleman possessed of an estate in fee simple has no particular inducement to save a portion of his revenue, inasmuch as by burdening his estate he may without difficulty provide for all his children. But the possessor of an entailed estate has no such resource. He cannot throw the burden of providing for his younger children on their elder brother; and is thus laid under the most sacred obligation to endeavour, by saving a portion of his income or otherwise, to provide for the decent outfit of his younger sons, and the comfortable subsistence of his daughters. In this point of view, therefore, a system of entail

does not seem to be pernicious. It is difficult to discover any such powerful motive to industry and economy as the desire to provide for children, who must otherwise be left either destitute or wholly dependent on others.

It is commonly said, that entails enable the heirs in possession to cheat and deceive their creditors. But though this be partly true of entails in England,[1] where they are not inserted in a public register, it is otherwise in Scotland. It is ordered by the act of 1685, that every entail shall be inserted, with *all its provisions and clauses*, in a public register; and it is ineffectual unless this enactment be literally complied with. This register is open to public inspection; and as any one may satisfy himself, by referring to it, as to the peculiar conditions under which any given property is held, it is not easy to discover what facility the formation of an entail can give for imposing on creditors.

On the whole, therefore, it is sufficiently clear that the system of perpetual entail established in Scotland has not been so injurious as is commonly represented. But every unprejudiced observer must at the same time admit, that by fostering the growth of dissolute habits in the heirs of entail, by locking up property in the hands of those who would be glad to dispose of it, by fettering the application of capital to land, and multiplying the sources of litigation, it must have been very decidedly prejudicial. It was plainly, therefore, for the public interest that the system should be amended, and placed on some such footing as the law of entail in England. And this has been effected by the act of 1848, the 11th and 12th Vict., c. 36. It was easy, of course, to deal with future entails; but it was not so easy to deal with those in existence, as they had secured certain rights not merely to the heirs in possession, but also to the various parties in the line of succession. In dealing with the former class, or with deeds of entail executed on or after the 1st of August 1848, the act authorises heirs in possession of estates held under such deeds, provided they be born after this date, and are of full age, to disentail them on making application to the Court of Session to that effect; but in the event of the heirs in possession being born after the date of the deeds, they must, in order to disentail, obtain the previous consent of the heir next in succession, he being twenty-five years of age at the time of granting such consent. Entails in existence when the act of 1848 was passed may be voided by the heirs in possession, provided they have been born since that date, when they become of full age; but heirs in possession, born before the passing of the act in question, cannot disentail the estates held by them without the consent of certain heirs or parties interested in the succession, specified in the statute.[2]

These changes have put the law of entail in Scotland nearly on the same footing as the law of entail in England; and will consequently, it may be presumed, be productive of very considerable advantage. But we regret that in dealing with this important subject, some peculiar arrangements were not made in regard to the entails of the estates of noble families. The difficulties in the way of their disentailment might, we think, have been advantageously increased.

In this country it is, we believe, pretty generally admitted that all attempts to enforce a compulsory distribution of property, by interfering with the freedom of bequeathing, and forcing individuals to leave, for example, a greater portion of their fortunes to their eldest sons, or to divide them equally among all their children, are adverse to the increase of opulence and to the best interests of society. But however unnecessary the interference of the legislature may be in such cases, there seem to be good grounds for believing in the advantageousness of the *custom* of primogeniture, that is, in the custom of leaving the whole, or the greater part of the paternal estate, to the eldest son, to the exclusion of his brothers and sisters. The prejudices of most political philosophers against primogeniture appear to rest on no solid foundation.[3] Dr. Smith says, that it is a custom which, "in order to enrich one, beggars all the rest of the children." But, notwithstanding the apparent reasonableness of this opinion, and the authority by which it is supported, we do not think it has any really good foundation. On the contrary, we are well convinced that much of the industry, freedom, and civilisation of modern Europe may be ascribed to the influence of this custom in determining the succession to estates; and that were it abolished, and the custom of equally dividing landed property established in its stead, all the children of landlords, the youngest as well as the eldest, would be reduced to a state of comparative poverty, at the same time that the prosperity of the other classes would be greatly impaired.

The custom of primogeniture, by giving

[1] It is mentioned by Blackstone, as one of the injurious consequences of the statute *de donis*, that it enabled intent entails, &c, to be produced on purpose to defraud creditors. See *ante*, p. 557.

[2] This Act was prepared and carried through Parliament by the Right Honourable Andrew Rutherfurd, M.P., Lord Advocate of Scotland.

[3] C'est un esprit de vanité qui a établi chez les Européens l'injuste droit d'aînesse, si défavorable à la propagation, en ce qu'il porte l'attention d'un père sur un seul de ses enfants, et détourne ses yeux de tous les autres; en ce qu'il l'oblige, pour rendre solide la fortune d'un seul, de s'opposer à l'établissement de plusieurs; enfin en ce qu'il détruit l'egalité des citoyens, qui en fait toute l'opulence. *Montesquieu, Lettres Persanes, let.* 119.

the estate to the eldest son, forces the others to quit their paternal home, and makes them depend for success in the world on the exercise of their talents and industry. Neither has it, like the law of entail, any tendency to generate idle or dissipated habits in the eldest sons. They have no indefeasible right to the estates held by their fathers; the latter may leave them to whomsoever they please; and the sons know that they will run a very great risk of being disinherited should they misconduct themselves. It is obvious, too, that the desire to leave an estate unencumbered to the eldest son, without throwing the other children destitute upon the world, is a stimulus to industry and economy. It is not indeed to be expected, nor is it to be wished, that the monied fortunes accumulated for the younger children should equal those of the elder. If they be furnished with capitals sufficient for their establishment in a profession, or in business, it is enough. The means of rising in the world, and making a fortune, are, in that case, put into their hands; and the sense of their inferiority in point of wealth, as compared with the head of their family, will be a motive to them to make extraordinary exertions, which they could not have felt had their patrimonies been equal to his. If you would develop the native resources of a man's mind, if you would bring all his faculties and powers into full activity, you must render him sensible of his inferiority in relation to others, and inspire him with a desire to rise to the same or a higher level. It is not to those placed by their fortunes at the head of society, but to those in inferior situations, who have raised themselves to eminence, that mankind are indebted for most of those inventions and improvements which have so greatly extended the empire of mind over matter, and made such vast additions to the sum of human happiness. But were all fortunes reduced to the same level, the stimulus of inequality being wanting, there would be infinitely less industry, and society would approach much nearer to the stationary state. It is not because a man is absolutely poor that he is laborious, inventive, and economical; but because he desires to place himself on an equality with those who have a greater command over the necessaries, luxuries, and amusements of human life. If that richer class did not exist, he would not have this motive to exertion. And on the same principle it is fair to conclude, that were the custom of primogeniture abolished, and the estates and properties of landed gentlemen equally divided, there would, on the whole, be fewer motives to stimulate that class to enter with vigour and energy on the career of ambition and enterprise.

It has been said in favour of the equal partition of landed property amongst the different members of a family, that such is the way in which the fortunes of merchants and manufacturers, and of the commercial and monied classes generally, are actually distributed, and that no bad effects have resulted from it. But there is hardly any analogy between the cases. The children of a merchant or banker, who have shared equally in the paternal property, may, if they form themselves into a company, carry on the business as advantageously as their father. The family of a landed proprietor can hardly do this. Farming cannot be advantageously carried on by joint stock companies. When an estate is divided in equal portions to each child, the probability is, that the paternal home will, in most cases, be deserted by all but the eldest son; and there will, generally speaking, be as many private mansions and families as there are children; at the same time that the younger children will be deprived of the peculiar stimulus to industry that would have influenced them had the estate descended to the elder brother, and their fortunes been less than his. But the lowering of the ideas of all classes in regard to the style in which gentlemen should live, and the magnitude of an adequate fortune, would probably be the worst effect of the establishment of a system of equal inheritance. Our great landed proprietors are at the head of society. They give the tone in matters of fashion and expense; and the state and magnificence in which they live act as powerful incentives to the industry and enterprise of the mercantile and manufacturing classes, who never think they have acquired sufficiently ample fortunes until they are able to emulate the splendour of the richest landlords. But were the great properties of the latter frittered down by a system of equal division among children, the standard of competence would be lowered universally; and there would be less industry and enterprise, not among the younger children of the landlords *only*, but among all classes.

It has sometimes been contended, that the custom of primogeniture is injurious, because it interests the leading families of the country in the support of expensive public establishments, in which their younger branches are most commonly placed. There is, however, no institution that may not justly be charged with some defects; and admitting that the custom of primogeniture gives the nobility and landed gentry the bias in question, that would form but a very small deduction from its many advantages. But this bias, if it really exist, seems very slight. In so far as the administration of justice is concerned, the younger branches of great families have evinced no very particular anxiety to encroach upon the many lucrative situations which it affords. These have always been wholly, or almost wholly, filled by individuals from the middle and lower ranks of society. And yet there can, we apprehend, be little doubt, that the administration of justice

is more encumbered with useless forms, unnecessary places, and overgrown salaries, than any other branch of the public service; and that these abuses are the most difficult to eradicate. The advantages held out by the army and navy are certainly, in a pecuniary point of view, far from alluring. The retiring pension of some unknown legal functionary frequently amounts to more than half the full pay of the officers of a regiment, or of a line-of-battle ship. And had the bias alluded to above been so strong as has been represented, it is rather singular that some more strenuous efforts should not have been made by the higher classes, to augment the scanty and inadequate pay of the officers in the military and naval service. Much has been said about situations in the colonies; these, however, were not originally acquired in order to provide situations for any particular class, but to extend commerce; and at this moment, if we except a few of the higher appointments, the others are as commonly filled by the sons of manufacturers and merchants as by those of landed gentlemen. And supposing that the existing outlets for the latter in the army, navy, and church were narrowed, it would merely oblige a greater number of them to enter upon the more lucrative pursuits of commerce and manufactures; a change which, whether advantageous or not to others, would be any thing but injurious to themselves.

According to the rule of the Roman law, the inheritance of a person dying intestate was equally divided amongst his sons and daughters. This rule has been adopted in several continental states; and when thus modified, the principle of equal succession is not, perhaps, very objectionable, though, for the reasons already stated, it does not seem to be in any case an eligible rule. The principle of the Roman law has recently, however, received a very great extension in France. Instead of following the example of other nations, which have uniformly relaxed the restraints imposed in early and less enlightened ages on the power of bequeathing property by will, modern French legislators have followed a different course, and have enacted a law which establishes a nearly equal system of succession, and restricts the power to devise property by will within the narrowest limits.

According to this law a person with one child may dispose, at pleasure, of a moiety of his property, the child inheriting the other moiety as matter of right; a person having two children is only allowed the absolute disposal of a third part of his property; and those having more than two, must divide three-fourths of their property equally amongst them, one-fourth part only being left at their own disposal. When the father dies intestate, the property is equally divided amongst his children without respect to sex or seniority.

This law was intended to subvert the foundations of that feudal aristocracy whose ascendency had been very prejudicial to France; and as the influence of an aristocracy is always mainly dependent on the extent of their property, it was certainly well fitted to accomplish its object. It is seldom, however, that a law adapted to a particular emergency may be maintained with advantage as a general rule of national policy; and it would be singular were a device originally fallen upon for the express purpose of splitting estates, found beneficial for regulating the succession to property in a great kingdom. Considered in a general point of view, this law seems infinitely more objectionable than a system of perpetual entail. By interfering to so extreme an extent in the disposal of a man's property, it lessens the motives to accumulation; while, by rendering the children in a great measure independent, it weakens the parental authority, and has the same mischievous operation, over an entire family, that the law of entail has over a single child. When the property of the father must be divided, all his descendants are aware, from their earliest infancy, that they are, without any peculiar merit or exertion on their part, to obtain a certain provision; and can any one doubt that this sort of certainty tends to paralyse their efforts, and to render the younger children at least less enterprising than they would have been, had they known that their condition in society was to depend principally on themselves, and that they had no security, other than their own deserts, for obtaining any thing from their parents? These, however, are not its worst effects. This, and every similar system, inevitably tends to occasion too great an increase of agricultural population, and to reduce landed property into portions so minute that they neither afford sufficient employment to the families occupying them, nor allow of their being cultivated and improved in the best and most efficient manner. The strong predilection entertained by the children of agriculturists for the pursuits of their fathers has been remarked by every one in any degree familiar with rural affairs; and it is obvious that the existence of a law making the division of property compulsory, affords unusual facilities for gratifying this predilection. It gives to many who might otherwise be obliged to emigrate or to resort to some other employment, the power of continuing in the line of life in which they have been educated, and which is endeared to them by those early associations that exert so strong an influence over future conduct. Should a family be unusually large, or the paternal property to be divided among the children be insufficient

to maintain them in nearly the same class as their father, some of the more adventurous spirits will probably be disposed to sell their portions and engage in other pursuits. But, in the great majority of cases, they will continue to reside on the little properties obtained from their ancestors; and the fair presumption seems to be that the process of division and subdivision will continue, until the whole land has been parcelled out into patches, and filled with an agricultural population, destitute alike of the means and the desire of rising in the world.

It is, however, alleged by those who argue in favour of the principle of equal division, that it cannot be carried to an improper extent; that the loss that would arise from the division of an estate into lots so small that they could not be farmed in the best manner, would make the coheirs sell the property *en masse* and divide the price, or farm it in partnership. But this statement proceeds on the assumption, which is as false as it is gratuitous, that the conduct of coheirs is in all cases regulated exclusively with a view to their pecuniary interests! There can be no doubt, however, that their conduct will be determined by a variety of considerations. They have not merely to consider what rate of nett profit they might under certain circumstances derive from their patrimony, but they have further to consider whether, were it converted into money, they should be able to employ it so as to enable them to subsist; whether, supposing they were assured of making larger pecuniary profits in another business, they would choose to leave that to which they have been accustomed; and whether they could turn their hand to anything else: and it is further plain that, though their revenues were somewhat greater, in the event of the property being farmed in common, than if it were split into separate lots, they would not be so independent, and each would be prevented from entering into adventures on his own account, and of availing himself of, what he would doubtless consider, his superior sagacity. Such being the case, it is absurd to suppose that the mere amount of profit derivable by coheirs from employing their capital in a particular way is the only, or even the principal circumstance they would attend to in deciding upon the disposal of the paternal inheritance; and it appears reasonable to conclude, that in the great majority of cases the motives in favour of parcelling the property would be much stronger than those in favour of retaining it entire.

It should always be remembered, in speculating upon the effects of any measure or rule of law upon the occupancy of landed property, that the possession of a piece of ground, however small, gives a feeling of independence to a poor man that he cannot otherwise enjoy. It is true, indeed, that those who have possessions of this sort are rarely half-employed, or comfortable in their circumstances; but they have a security against want. They have a cottage; and unless the patch of ground they occupy be unusually small, it will furnish such a supply of potatoes as may go far to support a family. In no way, therefore, can a poor man be so independent. Those who hold land are, in some measure, their own masters. They are exempted from the necessity of constant labour; and though condemned to perpetual poverty, and without any hope of rising in the world, they have so many countervailing circumstances in their favour, that, though uniformly almost in a much less comfortable situation than journeymen tradesmen, they are everywhere the object of their envy.

The law of equal succession is, no doubt, exceedingly popular in France. Certainly, however, it is not indebted for the estimation in which it is held to any experience of its beneficial influence in an economical point of view, but to its being considered as the great security for the permanence of the revolutionary establishment. Every proposal for an increase of the portion of the eldest son, or even for an increase of the power of the testator over his fortune, is associated in the minds of the French people with ideas of feudal superiority; and seems to be only the first of a series of efforts by which the aristocracy hope gradually to recover their wealth and privileges. Time only can efface these prejudices; and there is too much reason to fear that before they have been obliterated, and the pernicious consequences of the present law fully disclosed, so great a change in the mode of occupying land, and in the habits of the people, will have been effected, as to render it very difficult indeed to revert to a better order of things.

It is said by the admirers of the French law of succession, that it has introduced peace into families; that the "insolent prerogative" of primogeniture being abolished, the children look upon each other as brothers, and entertain the warmest affection for their parents. In point of fact, however, it has had a precisely opposite effect. It has rendered the children jealous of each other, and of their father. The law might be defeated were the latter allowed to dispose of his estate during his lifetime; and, therefore, if he either establish any one of his sons in business, or give him any property, the law authorises an examination into the circumstances; and the courts have, in certain cases, ordered the equivalent of the expense so laid out, or the property so bestowed, to be restored to the common fund, and divided according to the provisions of the law. It is easy to see what a wide door is thus opened to fraud, perjury, and litigation. Nor need

we wonder at the fact, that innumerable actions, arising out of alleged preferences have been brought into the courts of law; and that their decisions have been conflicting in the extreme.

The condition of the agriculturists of France has been materially improved since the Revolution. But it is false to affirm that this improvement has been in any respect owing to the law of equal inheritance. It has taken place, not in consequence but in despite of that law. The abolition of the feudal privileges of the nobility and clergy, and of the gabelle, corvées, and other oppressive and partial burdens and imposts, was of the greatest service to proprietors and farmers; and, in addition to these advantages, a large extent of common lands was divided, and a great part of the property of the church and of the emigrants came into their hands at extremely low prices; so that small properties were augmented, and fresh energy given to agricultural pursuits. Still, however, it is certain that the rapid division of landed property, and the continually increasing excess of the agricultural population, caused by the existing law of succession, have gone far to neutralise the influence of these advantageous circumstances, and form at this moment the prominent evils in the social condition of the people of France. "The population of that country," says Mr. Birkbeck, "seems to be arranged thus: a town depends for subsistence on the lands immediately around it. The cultivators individually have not much to spare; because, as their husbandry is a sort of *gardening*, it requires a large country population, and has, in proportion, less superfluity of produce. Thus is formed a numerous but poor country population. The cultivator receives payment for his surplus produce in sous, and he expends only sous. The tradesman is on a par with the farmer; as they receive, so they expend; and thus 50,000 persons may inhabit a district, with a town of 10,000 inhabitants in the centre of it, bartering the superfluity of the country for the arts and manufactures of the town. Poor from generation to generation, and growing continually poorer as they increase in numbers; in the country by the division and subdivision of property, in the town by the division and subdivision of trades and professions; such a people, instead of proceeding from the necessaries to the comforts of life, and then to the luxuries, as is the order of things in England, are rather retrograde than progressive. There is no advancement in French society, no improvement, nor hope of it."[1]

The account given of the condition of the agricultural population of France by M. Lafitte, who will be admitted by every one to be an unexceptionable authority, is not more favourable. "Si en effet," he observes, "le manufacturier des nos grandes villes est aussi avisé, aussi adroit que l'homme doit être aujourd'hui, notre agriculteur est aussi ignorant, aussi pauvre que dans les siècles de la féodalité, et nous avons l'indigente France du quatorzieme siècle, pour consommer les produits de l'ingénieuse et riche France du dix-neuvieme siècle. Une partie considérable de la population ne mange ni pain ni viande, ne se nourrit que de quelques grossiers légumes, et se couvre à peine de quelques, misérables haillons!"[2]

M. Garnier, when arguing in favour of the law of equal succession, contends that the passion which impels every rich man to extend his possessions, and to add field to field, is an effectual counterpoise to the principle of subdivision. But the compulsory division of the estates of individuals having families, at their death, naturally tempts the greater number of French capitalists to amass monied fortunes in preference to land. The facts, too, that Garnier has stated prove the very opposite of his theory; for they show that while there is a keen demand in France for small patches of ground, there is but little demand for moderate-sized farms. Thus, he informs us, that a farm which would bring a yearly rent of 4,000 or 5,000 francs, (160*l.* or 200*l.*) will not sell as a whole for above five and twenty years' purchase; whereas, were it divided into a number of small lots, it would most probably sell for forty years' purchase.[3] This fact is pregnant with information that gives the most unfavourable view of the state of France; inasmuch as it proves that agriculture is not prosecuted in it as in England, to realise a profit on the capital employed in carrying it on, but to acquire the means of existence.

But the effect of the law of equal succession, in occasioning the endless subdivision of landed property, and depressing the condition of the rural population, is not matter of theory or inference—it has been distinctly pointed out by the most distinguished French agriculturists. "J'ai vu," says M. Bosc, "dans la ci-devant Lorraine principalement, et en grand nombre, des champs qui n'avaient qu'un mètre de large sur deux de long, et ceux du double de cette superficie étaient extrêmement communs, parceque partout les co-héritiers veulént partager toutes les pièces, quelques petites qu'elles soient."[4]

M. Raineville, one of the best practical agriculturists in the north of France, in a tract published in 1824, after giving a brief but striking account of the miserable condition of the occupiers of small patches, and of the waste of labour they occasion, concludes as follows:—"Telle est (et ce ne sont pas les

[1] Tour in France, 4th ed. p. 34.

[2] Réflexions sur la Réduction de la Rente, pp. 161, 162.

[3] Richesse des Nations, tome vi. p. 179, 6d. 1822

[4] Dictionnaire d'Agriculture, art. Subdivision des terres, tome xiv.

hommes qui ont acquis une véritable connoissance de l'état des nos campagnes qui nous démentiront) telle est la somme des inconvéniens attachés à cette division dont l'action funeste dévore le sol de nos campagnes avec une affligeante rapidité."

The Duke of Rochefoucault-Liancourt, so celebrated for his virtues and misfortunes, gave, in a memoir written in 1814, an account of the *morcellement* of the estate of Liancourt, well known, previously to the Revolution, as one of the best cultivated in Europe.—"Une grande partie du canton de Liancourt que j'habite, a un genre de culture plus petit encore que ce qu'on appelle la petite culture. Ce sont de petites propriétés tellement divisées que dans ce qui est vallon et surtout côteau, on trouvera difficilement des propriétés d'un arpent, et que beaucoup n'ont que dix, douze verges, et quelquefois deux. L'arbre d'une propriété couvre une partie de la propriété voisine, dont les arbres couvrent, à leur tour, celle d'un autre voisin. Le nombre des corps de ferme dans ce canton, composé de vingt-six communes, n'est peut-être pas aujourd'hui de douze, dont aucune n'est d'une considérable étendue.

"Les propriétés déjà bien petites, se sont plus divisées encore par l'heritage des enfans, à la mort des premiers partageans.

"Mes clôtures, mes fossés faits avec soin, diminuant la part de l'acquéreur de la partie qui les avoisinait, ont été détruits et comblés; et cette destruction, toute naturelle pour de petits proprietaires, atteste combien la petite culture est incompatible aveo les clôtures. Elle s'est considérablement multipliée au détriment de la grande. Mais, encore une fois, elle a été presque partout mal entendue. C'est toujours des grains qu'on a demandé à des terres qui n'en ont pas produit."

The duke then subjoins the following observations on the condition and character of the small proprietors.

"Le petit propriétaire veut avoir son grain, et ne calcule pas qu'il en aurait sûrement deux sacs au marché pour le prix de semence, de travail et de soins que lui donne la récolte d'un seul sac sur sa propriété, et par le salaire des journées qu'il aurait employées chez un propriétaire plus aisé. L'amour de la propriété, si naturel, si avantageux pour le bien d'un état, a tourné, exalté toutes les têtes. Dans les momens d'ivresse de la révolution chacun a voulu être propriétaire, et la plupart courant après l'indépendance et le bonheur, abandonnant le gain sûr que leur procurait leur travail chez les fermiers, n'ont trouvé que de la misère. Trompés dans leurs calculs, ils sont devenus des voisins incommodes et dangereux, et, pour me servir de l'expression énergique de l'un de mes correspondans, ne sont à l'égard du bonheur de leur canton, que de vrais déserteurs qui maraudent pour soutenir leur existence."

In a well-written tract published at Montpellier in 1826, it is stated, "La subdivision toujours graduelle et infinie des héritages menace l'ordre social; et porte déjà, notamment dans les pays de grande culture, une atteinte grave à la prospérité agricole.—Nul doute que l'agriculture est blessée de l'infinie division des propriétés rurales: par cette division disparaissent ces améliorations à opérer en grand, qui, exigeant de fortes dépenses, ne peuvent être entreprises que pour de grands intérêts: par elle se perd la possibilité d'élever des troupeaux, source de toute fécondité: par elle les forêts se dépeuplent; parceque celui-là seul qui possède beaucoup, pouvant attendre les revenus qu'elles donnent, lui seul les respecte; tandis que, au contraire, la médiocrité de fortune, pressée de jouir, les transforme, pour avoir des produits annuels, en champs, qu'une génération voit créer et s'anéantir; par elle deviennent enfin impossibles ces reserves des récoltes qui mettent en mesure de lutter contre les mauvaises années, et contre le bas prix des produits de la terre. —Les funestes effets du morcellement continu des propriétés rurales ne sauraient être méconnus; le mal est certain; la plaie de l'état est ouverte; il s'agit de trouver le baume et les moyens de la cicatriser."

In Corsica, the system would seem to be as bad, or, if possible, worse even than in France. Among the answers made by the British consul in that island to queries as to the state of agriculture, transmitted from the foreign office in 1833, we find the following. —"An ordinary landowner in Corsica, where the division of labour is in its infancy and capital scarce, will at once possess lands producing corn and other grains, wine, oil, chestnuts, vegetables, fruits, &c., and soils of such fitness cannot well be contiguous. This natural separation is still more, and to a highly detrimental degree, enhanced by the following causes: for centuries the laws have protected an equal succession among children; the Genoese, when rulers, abetted this system, and the French law on heirdom, which found Corsica in an extravagantly parcelled state, has confirmed and aggravated it. These ancient and modern agrarianisms unaccompanied by the remedies of capital and of various roads to industry, have made a proprietor of almost every Corsican, and have, it is true, averted mendicity, but also generally created a narrow situation, without resources, pregnant of family intrigues, and not unbloody dissensions, litigious propensities, and various checks on population; and combining with these incidents they have fostered maxims which again serve to the same end of disconnecting all landed property. It is a distinctive trait that the Corsican rather starves than sells land; that inheritances, which lose in value by division, still must submit to it; that advantageous offers are the more readily refused, the more such land would aggrandise and connect the purchaser's estate. These

causes serve to explain how it comes that almost every one is a landowner; and that an ordinary proprietor of the second class worth 20,000 fr. (800*l.*) will have his little estates at ten or more unconnected places in a circle of many miles."

The process of subdivision has not, however, been after all so rapid as might have been anticipated. This is in part a consequence, in late years, of the rapid growth of manufactures and commerce, and of the advantageous outlets which they have afforded to many who would otherwise have contented themselves with the cultivation of the small properties which they have parted with to others; and the tendency to subdivision is farther counteracted by the consolidations effected through the marriages of heirs and heiresses. But despite these circumstances, and the diffusion of agricultural information, the process of subdivision continues to make considerable progress. This is evident from the following return of the number of *cotes*, or properties, charged separately to the land tax, or *contribution foncière*, in the undermentioned years, viz. :—

	Cotes.		*Cotes.*
1815.	10,083,731	1853.	12,653,715
1839.	10,998,730	1854.	12,745,300
1851.	12,393,366	1855.	12,822,728
1852.	12,549,954		

This statement, it should be observed, does not show the number of proprietors, as many of them hold properties in different *communes*, and pay taxes in each. In 1816 the number of proprietors in France was estimated at 4,500,000, and if that estimate was near the mark the increase in the interval has been quite extraordinary, seeing that in 1851 they amounted to no fewer than 7,846,000, or to more than a fifth part of the entire population of the empire. And it is farther mentioned that of this number 3,000,000 were exempted, on account of their poverty, from the *contribution foncière*.[1] Perhaps we shall not be far wrong if we distribute the entire landed property of France as follows, viz. :— Rather more than one third part to what are called large proprietors, that is, to the possessors of 150 acres and upwards; one third to middling proprietors, with from 30 to 150 acres; and the other third to small proprietors, with from less than one to 10 or 12, and sometimes 25 or 30 acres, the smaller class greatly predominating.[2]

People in England being accustomed to associate ideas of wealth and respectability with the possession of landed property, are apt to conclude that a country where every fifth person you meet is a proprietor, must be in a peculiarly prosperous condition. But the reverse is the fact. Very many of the so-called proprietors do not possess above one or two acres, and great numbers not so much; and in most departments the majority of properties vary from 2 to 5, 10, 30 and 40 acres. The single department of the Bouches du Rhone contains three times as many proprietors as are to be found in Scotland. The *contribution foncière*, though there are great inequalities in its pressure, amounts, at an average, to about a fifth or a sixth part of the rent of the land; and it is estimated that *nine-tenths* of the whole number of individuals assessed to it pay less than 55 fr. a year; which, taking the tax at only a *tenth* part of the rent, shows that nine in every ten of the existing landed properties in France are not worth more than 550 fr., or 22*l.* a-year.[1]

Such being the case, we need not be surprised to learn that though, speaking generally, the small proprietors are industrious and economical; they are, at the same time, miserably poor, overwhelmed with debts, and strongly attached to routine practices; and that, even if they were acquainted with improved processes, the want of capital would be an insuperable obstacle to their carrying them into practice. It is customary at this moment, in several of the southern departments, as it was 3,000 years ago, to thrash corn by treading it with horses! And in some districts the ploughs now in use are said to be the same as those described by Virgil![2] Many small proprietors rarely taste butcher's meat; and are too happy when they find an opportunity of eking out their narrow means by working at day wages on the larger properties, if there be any such, in their vicinity. Such proprietors are not nearly so well off as common labourers in England.

In some departments the process of division and subdivision has not been carried so far as in others; but generally if a property exceed 100 or 200 acres, and in many instances if it exceed 50, it is divided, and a portion let to a tenant or tenants. Unhappily, too, the mode of letting land in France prevalent in most departments is exceedingly objectionable. Leases when granted are in general much too short, rarely exceeding 9 years; and in more than a fourth part of the empire land is let on the *métayer* principle, the landlord usually furnishing, besides the land, the stock or cattle, and the seed for the first crop, and receiving as rent a certain proportion, varying from a third to a half (generally the latter) of the gross produce of the farm. This system is subversive alike of industry and enterprise; and wherever it prevails, agriculture is not stationary merely, but is in the most wretched state. The following extract from an able article on the Agriculture of France in the *Revue Trimestrielle* (No. 2, art. 1) shows the extent and influence of this system.

"Quand les propriétaires ne cultivent pas eux-mêmes leurs terres, le mode de leur loyer est la circonstance la plus influente sur l'état de leur culture. Ce mode en France

[1] Block, Statistique de la France, ii. 22, &c.
[2] Estimate by Lullin de Chateauvieux.

[1] For further information on this subject, see the Treatise on the Succession to Property, by the author of this note, pp. 96 99.
[2] Travels in France, vol. i. pp. 413, 414.

est généralement détestable. A l'exception de la Flandre et de ce très-petit nombre de provinces où le système de la culture alterne est suivi depuis très long-temps, la durée des baux est beaucoup trop courte, pour que le fermier ait le temps de recouvrer les dépenses que nécessite l'établissement d'une nouvelle méthode de culture, et pour retirer quelques avantages de ce changement. Enfin, dans une très-grande partie du royaume, dans toutes les provinces du centre, les fermiers sont à peine connus. Les terres sont cultivées par de malheureux *métayers*, travailleurs à moitié fruit, qui se chargent pour trois ans de tous les travaux de la culture, et qui doivent rendre au propriétaire la moitié de ses produits bruts. Le métayer apporte ses bras, son ignorance et son bon appétit; le propriétaire lui confie un sol épuisé, tout le mobilier indispensable à sa chétive exploitation, le grain nécessaire au premier ensemencement, et même celui qui doit le faire subsister lui et sa famille, jusqu'à la première récolte. Le métayer laboure, sème, moissonne, et vit là dessus. Lui et les siens repus, le propriétaire a la reste. Quelquefois, entre le propriétaire et le métayer qui est un pauvre paysan, il s'interpose sous le nom de fermier un troisième individu, le plus souvent un petit bourgeois de village, très-rusé, qui assure au premier sur le produit du travail du second un petit revenu fixe et indépendant de l'abondance et du prix des récoltes. Cet homme ne prend aucune part active aux travaux de la culture, mais il assiste à tous les dépouillemens de récolte qui fait le métayer, il le suit à tous les marchés pour s'emparer de la moitié qui lui est due de tous les produits; son habilete consiste à prendre au-delà de cette moitié sur la part du métayer; comme il sait lire et écrire, et qu'ordinairement le métayer ne le sait pas, il a beaucoup d'avantage sur lui pour embrouiller les comptes, et finalement le voler. Sous ce maitre toujours présent, la condition du métayer est encore bien plus misérable. Ce fermier qui a généralement quelques avances, paie la rente du propriétaire avec assez de régularité: il fait de petites spéculations sur la vente de ses denrées, et quelquefois il s'enrichit. Cette combinaison est assez commode pour le propriétaire qu'elle décharge de toute surveillance, et auquel elle offre quelque garantie de paiement: mais elle est ruineuse pour la culture parce qu'elle maintient dans une extreme misère le métayer qui cultiverait moins mal s'il pouvait faire quelques profits et quelques épargnes dans les années d'abondance; elle l'empêche de s'élever jamais à la condition de fermier-cultivateur: elle fait passer dans la poche de la ruse la récompense du travail."

It is remarkable that, despite the depressing influence arising from the subdivision of the land which is enforced by the law of equal succession, agriculture has of late years made considerable progress in France. This has partly arisen, as already stated, from the increase of manufactures and towns, and it has partly, also, been occasioned by the greater freedom of commerce, and by the construction of railways through all parts of the country. But, however accounted for, there can be no doubt that, wherever land is held in tolerably large quantities the extent of ground under wheat, and the produce from such ground, have both been largely increased, and the latter also is the case with the produce obtained from the ground under other crops. The number of cattle, which had been greatly diminished, has also been considerably augmented at the same time that the weight of the animals and their breed have been enlarged and improved. Sheep and swine are for the most part very inferior, but they too are being ameliorated. Everywhere, indeed, a change for the better is going forward. The security which the country has enjoyed under the firm and equitable rule of the present Emperor has done more perhaps than anything else to promote this result. And were the existing law of succession repealed, and individuals allowed to dispose of their property at pleasure, the shackles that retard the progress of agricultural industry would be struck off, and it would not be easy to estimate what its future progress might be.[1]

We may perhaps be permitted to observe that the political seem to be as bad as the economical effects of the compulsory subdivision of property. There can be nothing stable in a country where such a system is established. A powerful aristocracy is indispensable to every country under a constitutional, steady, and well-constructed government. But it can only be found in countries where there are large estates not liable to be broken into fragments, and descending entire to the successive proprietors. Such estates no longer exist in France; and hence the want in that country of anything worthy the name of an aristocracy, and the instability of its government since the revolution. The first Napoleon never said anything more distinguished by its justness and truth than when he declared that "The destruction of the aristocracy had proved fatal to all subsequent efforts for establishing a constitutional monarchy in France. The revolution had attempted the solution of a problem as impossible as the direction of balloons. An aristocracy is the true support of the throne; its moderator, its lever, and its fulcrum. The state without it is a vessel without a rudder, a balloon in the air." (Las Cases, iii. 23.)

In countries where capital is accumulating in considerable masses, where no vicious laws or habits force the interminable subdivision of landed properties, and where farms are let on approved principles at a fixed money rent, the newest and most powerful machinery is applied to the cultivation of the soil, and the division of rural employ-

[1] Block, Statistique, ii. cap. 12, *passim*.

ments is carried to its fullest extent. But wherever property is much frittered down, or is let on the *métayer* system, such methods of facilitating production admit but of very partial introduction. In the greater number of French as of Irish farms it is impossible either to adopt a proper rotation in cropping, or to erect thrashing machines; and in many instances the horses, and even ploughs, are the joint property of several sets of farmers! The increased supplies of food required in a country occupied by small farmers being chiefly procured by an increase of animal exertion, rise in value with every increase of population, or as soon as it becomes necessary to cultivate inferior soils. There is, in such cases, no principle of improvement in operation to counteract the effect of greater sterility. It is neither checked by improved machinery, nor by any expedients for saving labour; but being allowed to exert its full effect, society becomes clogged in its progress, and its future advancement is rendered extremely problematical.

In a country like England, on the contrary, where farms are extensive, where a highly improved system of husbandry is generally introduced, and the most powerful machinery is employed in field operations, a comparatively small proportion of the inhabitants is engaged in the cultivation of the soil. The rest are employed in manufactures, or in carrying the products of different districts to the places where they are in greatest demand, and exchanging them for the various products of all the countries and climates of the world. This division of employments adds prodigiously to the wealth and comforts of all classes. The agriculturists do not spend their time in clumsy attempts to manufacture their clothes or implements; and the manufacturers cease to interest themselves about the raising of corn and the fattening of cattle. The power of exchanging is the vivifying principle of industry. It encourages agriculturists to adopt the best system of cultivation, and to raise the largest crops, by enabling them to exchange such portions of the produce of their lands as exceed their own consumption for other commodities conducive to their comfort and enjoyments; and it encourages manufacturers to improve the quality and to increase the quantity and variety of their goods, that they may thereby obtain a greater supply of raw produce. A spirit of industry is thus universally diffused, and the apathy and languor, characteristic of a rude or half employed people, entirely disappear.

But when a country is generally divided into small farms, these effects can only be felt in a very limited degree. Not being able to employ the best machinery, nor to carry the subdivision of employments to a sufficient extent, a greater number of labourers are engaged in the cultivation of the soil, and there is, of course, less of its produce to dispose of to others. None will presume to say, that the agriculture of France is nearly so advanced as that of England—and yet, while more than *two-thirds* of the people of France are employed in her inferior cultivation, less than *one-third* of our people suffice to carry on the superior system followed in this country. The great superiority of our domestic economy over that of the French consists chiefly in this single circumstance. We carry on a better system of husbandry with less than half the labourers they require to carry on theirs; so that the various articles of convenience and enjoyment produced by the labourers thus disengaged from agriculture, is so much clear gain, so much additional wealth, placed at our disposal, over and above what we should possess, were our lands subdivided like those of France, and cultivated on the same plan. This is the powerful spring that has done more, perhaps, than any other to carry our commerce and manufactures to their present unexampled extent, that impels us forward in the career of improvement, and enables us, without difficulty, to support what would otherwise be a very heavy load of taxes. Let us not, therefore, by giving countenance to schemes for modifying the law of succession, dividing estates, or building cottages on wastes, do any thing that may tend directly or indirectly to diminish the average size of properties, or to increase our purely agricultural population. The narrower the limits within which it is confined, the better will be our agriculture, and the greater will be the surplus produce remaining for the support of the other classes, on whose numbers and prosperity our wealth, power, and glory materially depends.

The custom of dividing the paternal property equally among all the children has been long acted upon in Ireland. And Sir John Davies, in his valuable tract, entitled "*Discoverie of the Causes why Irland was never entirely subdued by the English*," mentions this as one of the customs that had done most to perpetuate the barbarism and poverty of that country. "The custom of *gavelkind*," says he, "did breed another mischief; for thereby every man being born to land, as well bastard as legitimate, they all held themselves to be gentlemen. And though their portions were never so small, and themselves never so poor, for gavelkind must needs in the end make a poor gentility, yet did they scorn to descend to husbandry or merchandise, or to learn any mechanical art or science. Besides, these poor gentlemen were so affected to their small portions of land, that they rather chose to live at home by theft, extortion, and coshering, than to seek any better fortunes abroad."[1]

This custom of *gavelling*, or dividing the paternal inheritance, was not confined to any particular sort of property, but extended to leasehold as well as freehold. And so strongly was it rooted in the public esteem, that it

[1] Page 172, ed. 1747.

was to no purpose that a landlord inserted a clause in the lease of a farm prohibiting its subdivision. The courts of law were hostile to such limitations; and the juries, before which a case of this description was occasionally tried, if they returned a verdict in favour of the landlord, almost uniformly awarded only nominal damages. The consequences resulting from the combined operation of this custom and law have been exactly such as might have been anticipated. Instead of increasing with the increase of capital, and the more generally diffused knowledge of the correct principles of agriculture, the farms in the possession of the Irish tenantry were gradually reduced in most instances to mere patches. It is almost always a very difficult task to prevail on the descendants of agriculturists to embrace any other business. But in Ireland they were relieved from this inconvenience. The law of that country, and the little effect given to the restrictive clauses in leases, enabled generation after generation to follow in the track of their fathers, till the whole country was overspread with huts, potato gardens, and beggars! If a farm was not split during a father's life, it was sure to be split at his death. Even the daughters were not commonly portioned by the gift of a sum of money but by that of a patch of land; so that a farm originally let to a single individual was at farthest at his demise, but most commonly sooner, divided into as many shares as he had children! How favourable soever the situation of Ireland might have been in other respects, this system was sufficient to have filled it with the most abject poverty and wretchedness.

It has been said by the apologists of this system, that the want of capital, and not the power given to tenants to subdivide and sublet their farms, occasioned their being split. But the increase of capital in Ireland since 1770, though not very rapid, has been considerable, and yet the subdivision of farms went on till 1826, when it was checked by the subletting act, with a constantly increasing rapidity. The custom of subdividing farms has done for Ireland what the law of equal succession has done, or is doing, for France. It taught every individual to lean upon the land for support. It secured them a sort of wretched independence, and gave, in consequence, a powerful stimulus to population.

In Scotland a totally different system has been followed with the happiest results. The succession to farms, as well as estates, has been long regulated in that part of the empire by the law of primogeniture. The tenant of a Scotch farm has no power, unless a provision to that effect be inserted in his lease, which is very rarely done, to devise his interest in it. He can neither sublet nor subdivide his farm; and, at his death, it descends entire to his heir-at-law. The younger children are not taught from infancy to trust to the land for support. On the contrary, they are early made aware that farming is not a profession on which they can enter, and that it is indispensable they should apply themselves to something else. In consequence, they either establish themselves in towns, or emigrate to other countries; and perhaps there is no one circumstance that has contributed so much as this to inspire Scotchmen with the adventurous enterprising spirit for which they are celebrated. The agricultural population is in this way kept down to its proper level; and prudential habits are very generally diffused. Instead of becoming less, farms in Scotland have become larger, according to the increase of the capital of the farmers. Agriculture is not prosecuted as a means of acquiring a miserable subsistence, but as a means of employing capital with advantage.[1] There is, however, great reason to fear that the enfranchising of the tenants will have an injurious influence over agriculture. See *antè*, p 174, note.

The landed gentlemen of Ireland having at length opened their eyes to the defects of the system under which their estates had long been occupied, the act of 1826, the 7th Geo. IV. c. 29, for preventing the assignment, subdivision, and subletting of farms, was pretty generally approved by the landlords. Had it been passed fifty years sooner, and been properly enforced, it would have prevented much of the bad husbandry, poverty, and misery which prevail in that unhappy country. And notwithstanding the extent to which the evil had been carried, and the difficulty, in consequence of the rooted prejudices of the people, of preventing underhand subdivision, the subletting act has been eminently beneficial. The comparatively slow increase of population in Ireland, between 1830 and 1840, was principally ascribable to its influence.

The subdivision of farms has been both a cause and a consequence of the use of the potato as a principal article of food. A small farmer, or even proprietor, with five, ten, or fifteen acres of land, cannot afford to feed himself and his family on bread and beef. He is compelled to resort to some inferior species

1 Though of late years there are very few instances in which leases have been granted in the lowland districts of Scotland, empowering the tenants to assign, subdivide, or sublet their farms, they have not been altogether unknown. In a district in the south-west of Scotland, where the farms are almost all large, and the tenants respectable, the late proprietor of a pretty considerable estate granted leases to some of his tenants for twenty-one years, with a power to subdivide and sublet. These leases expired a few years since; and one of the farms, consisting of about 400 acres, had, when it reverted to the present proprietor, upwards of fifty tenants settled upon it! As no other estate in the county had been let in the same way, the tenants were easily ejected; but it is evident that it would have been very difficult indeed to get rid of them, had the system acquired any considerable footing. This shows pretty clearly that little more than the power to assign and subdivide farms is wanted to reduce the tenants of Scotland to the same level as those of Ireland.

of food; and as the potato affords the greatest quantity of nourishment on a given extent of land, it is to it that he naturally resorts; while the facility of obtaining supplies of food tempts to fresh divisions. But this facility of obtaining supplies of food lowers the necessary scale of wages, and degrades the condition of the labourers, at the same time that the uncertainty of the supply exposes them to the most tremendous vicissitudes. The failure of the potato crop in Ireland in 1846 and 1847 produced an almost unparalleled amount of destitution and misery. But, however severe at the time, the diminution of the population caused by the famine, and the subsequent emigration, has contributed greatly to the improvement of Ireland. The only thing to be regretted is that the potato was not entirely destroyed; so long as it continues to be cultivated it will be a heavy drawback on the advancement of the Irish people.

NOTE XX.

GOVERNMENT, REVENUE, AND COMMERCE, OF INDIA.

PREVIOUSLY to the publication of the fourth edition of the Wealth of Nations, in 1784, the affairs of the East India Company had fallen into a state of great disorder; and ministers were loudly called upon to bring forward some plan of reform. In compliance with this call, Mr. Fox brought forward his famous India bill, intended to abolish the courts of directors and proprietors, as totally unfit for any useful purpose, and to vest the government of India in seven commissioners appointed by parliament. The introduction of this bill excited an extraordinary ferment. The coalition between Lord North and Mr. Fox had rendered the ministry exceedingly unpopular; and advantage was taken of this circumstance to occasion the most violent opposition to the measure. The East India company called upon the public to protect their chartered rights, though it is obvious that, from their acknowledged inability to give effect to the stipulations on which their charter had been renewed in 1781, it was open to parliament to legislate upon the subject. The opposition represented the proposal for vesting the nomination of the commissioners in the legislature, as a daring invasion of the prerogative of the crown, and as an insidious attempt of the minister to render himself all-powerful, by adding the patronage of India to that already in his possession. The bill was, however, carried through the House of Commons; but in consequence of the ferment it had excited, and the avowed opposition of his Majesty, it was thrown out in the House of Lords. This event proved fatal to the coalition ministry. A new one was formed with Mr. Pitt at its head; and parliament being soon after dissolved, the new minister acquired a decisive majority in both houses. When thus secure of parliamentary support, Mr. Pitt brought forward his India bill, which was successfully carried through all its stages. It instituted a board of control, consisting of six members of the privy council, whose duty it was "to check, superintend, and control all acts, operations, and concerns, which in any wise relate to the civil or military government, or revenues of the territories and possessions of the East India Company." All communications to or from India, touching any of the above matters, were to be submitted to this board; the directors being ordered to yield obedience to its commands, and to alter or amend all instructions sent to India as directed by it. A secret committee of three directors was formed, with which the board of control might transact any business which it did not choose to submit to the court of directors. Persons returning from India were obliged, under severe penalties, to declare the amount of their fortunes; and a tribunal was appointed for the trial of all individuals accused of misconduct in India, consisting of a judge from each of the courts of King's Bench, Common Pleas, and Exchequer; five members of the House of Lords, and seven members of the House of Commons; the last being chosen by lot at the commencement of each session. The superintendence of all commercial matters was continued as formerly in the hands of the directors.

The functions of the board of control were principally discharged by the president, who was, in fact, a secretary of state for India; so that much of the success of this system of government was made to depend on the character and acquirements of the president. By establishing a sort of apparently divided responsibility between the board of control and the court of directors, neither of these bodies had the same motives to exert itself to repress abuses and to improve the system of administration that it would have had had the other not been in existence.

The financial difficulties of the East India Company led to the revolution which took place in the government of India, in 1784. But notwithstanding the superintendence of the board of control, the company's affairs have continued nearly in the same embarrassed state as before. We have been favoured, from time to time, with splendid accounts of revenue to be immediately derived from India; and numberless acts of parliament have been passed for the appropriation of surpluses that never had any existence except in the imagination of their framers. The proceedings that took place at the renewal of the charter in 1793, afford a striking example of this. Lord Cornwallis had just concluded the war with Tippoo Saib, which stripped the latter of half his dominions; the perpetual settlement, from which so much benefit was expected to arise, had been adopted in Bengal;

and the company's receipts were increased, in consequence of accessions of territory, and subsidies from native princes, &c., to upwards of *eight millions* a year, which it was calculated would afford a future annual surplus, after every description of charge had been deducted, of 1,240,000*l.* Mr. Dundas, (afterwards Lord Melville,) then president of the board of control, availed himself of these favourable appearances, to give the most flattering representation of the company's affairs. There could be no question, he affirmed, of the permanence and regular increase of the surplus revenue; and he entered into a minute specification of the mode in which it was to be appropriated.[1] He assured the house and the country that the estimates had been framed with the greatest care; that the company's possessions were in a state of prosperity till then unknown in India; that the abuses that had formerly insinuated themselves into some departments were effectually repressed; and that the period was at length arrived when India was to pour her treasures into the lap of England!

Unluckily Mr. Dundas's magnificent promises had the same fate as those of his predecessors. Instead of being diminished, the company's debts began immediately to increase. In 1795 they were authorized to add to the amount of their floating debt. In 1796 a new device to obtain money was fallen upon. Mr. Dundas represented that as all competition was destroyed in consequence of the war, the company's commerce had been greatly increased, and that their capital had become insufficient for the extent of their transactions. In consequence of this representation, leave was given to the company to add *two millions* to their capital stock by creating twenty thousand new shares; but as these shares sold at the rate of 173*l.* each, they produced a sum of 3,460,000*l.* In 1797, the company issued additional bonds to the extent of 1,417,000*l.*; and, notwithstanding all this, on the 13th March 1799, Mr. Dundas stated in the House of Commons, that there had been a *deficit* in the previous year of 1,319,000*l.*!

During the belligerent administration of Marquis Wellesley, which began in 1797-8, and terminated in 1805-6, the British empire in India was vastly augmented; and the revenue, which amounted to 8,059,000*l.* in 1797, was increased to 15,403,000*l.* in 1805. But the expenses of government, and the interest of the debt, increased in a still greater proportion than the revenue; having amounted in 1805 to 17,672,000*l.*, leaving a deficit of 2,269,000*l.* In the following year, the revenue fell off nearly a million, but the expenses continued nearly the same; and there was, at an average, a continued excess of expenditure, including commercial charges, and a contraction of fresh debt down to 1811-12.

The following statement contains the substance of the information that was published with respect to the revenue and expenditure of British India, from 1809-10, down to 1829-30, viz.,—

AN ACCOUNT of the Total Annual Revenues and Charges of the British Possessions in India, under the East India Company, from 1809–10 to 1829–30; showing also the Nett Charge of Bencoolen, Prince of Wales Island, and St. Helena, the Interest paid on account of Debts in India, and the Amount of Territorial Charges paid in England.—(*Parl. Papers*, No. 22, Sess. 1830, and No. 306, Sess. 1833.)

Years.	Total Gross Revenues of India.	Total Charges in India.	Nett Charge of Bencoolen, &c.	Interest on Debts.	Territorial Charges paid in England.			General Result.	
					Cost of Political Stores.	Payments, Pensions, &c.	Total.	Surplus Revenue.	Surplus Charge.
	£	£	£	£	£	£	£	£	£
1809-10	16,464,391	13,775,577	203,361	2,159,019	190,128	867,097	1,057,225	- -	730,701
1810-11	16,679,198	13,809,983	190,663	2,190,691	217,703	901,688	1,119,391	- -	736,630
1811-12	16,605,616	13,220,307	168,288	1,457,077	154,998	922,770	1,077,768	681,516	—
1812-13	16,459,774	13,659,429	201,349	1,491,870	193,784	1,184,976	1,378,760	- -	271,634
1813-14	17,224,711	13,617,725	200,957	1,537,434	64,267	1,148,156	1,212,413	651,182	—
1814-15	17,231,191	14,182,454	204,250	1,502,217	129,873	1,064,223	1,194,596	147,677	—
1815-16	17,168,195	15,081,687	225,558	1,584,157	81,903	1,199,952	1,281,856	- -	1,004,992
1816-17	18,010,135	16,129,830	205,372	1,719,470	194,374	1,071,176	1,265,550	- -	310,096
1817-18	18,305,265	16,814,964	219,793	1,753,018	81,941	1,014,701	1,176,642	- -	689,152
1818-19	19,392,002	17,538,615	210,224	1,665 921	133,162	1,150,378	1,280,540	- -	1,223,305
1819-20	20,172 506	17,040,848	142,049	1,910,327	265,055	1,150,391	1,415,446	- -	1,466,164
1820-21	21,232,036	17,520,612	220,043	1,902,585	228,058	1,072,108	1,300,164	348,632	—
1821-22	21,751,271	17,555,608	207,816	1,932 8 5	202,735	1,175,149	1,377,884	679,068	—
1822-23	24,120,994	18,083,482	154,761	1,691,731	204,147	1,354,960	1,559,107	1,528,853	—
1823-24	21,218,623	18,302,511	257 276	1,652,449	395,276	758,590	1,153 866	- -	727,479
1824-25	20,705,152	20 410,929	279,277	1,460,433	414,181	1,166,078	1,580,259	- -	3,025,716
1825-26	21,060,930	22,146,365	214,285	1,575,041	740,728	1,076,504	1,817,232	- -	4,856,857
1826-27	24 327,733	21,424 804	207,973	1,749,068	1,111,792	1,318,102	2,429,894	- -	2,481,076
1827-28	22,818,184	21,778,431	272,014	1,958,313	805,016	1 255,125	2,060,141	- -	3,250,715
1828-29	22 692,711	19,208,622	250,794	2,121,165	449,603	1,617,802	1,967,405	- -	945,275
1829-30	21,662,410	18,300,715	213,304	2,007,693	293,873	1,454,867	1,748,740	- -	608,142

[1] In the *first* place, 500,000*l.* a year were set aside for reducing the debt in India to 2,000,000*l.* *Second*, 500,000*l.* a year were to be paid into the exchequer, to be appropriated for the benefit of the public, as

That this account of the financial condition of our eastern empire should be so much at variance with the exaggerated ideas that were long entertained respecting it, will excite no surprise in the mind of any one who has ever reflected on the subject. It is due, indeed, to the East India Company to state, that though they occasionally acted on erroneous principles, they always exerted themselves to enforce economy in every branch of their expenditure; and to impose and collect their revenues in the best and cheapest manner. But though they succeeded in repressing many abuses, it would be absurd to suppose that they should have been able entirely to root them out. How can it be imagined that strangers sent to India, conscious that they are armed with all the strength of government, placed under no real responsibility, exempted from the salutary influence of public opinion, and in great measure also from the fear of exposure through the medium of the press, and anxious only to accumulate a fortune, should not occasionally abuse their authority? or, that they should manage the complicated and difficult affairs of a vast empire, inhabited by a race of people of whose language, manners, and habits they are almost wholly ignorant, with that prudence, economy, and vigilance, without which it is idle to expect that any great surplus revenue can ever be realised? There is reason, however, to think, should peace be preserved, that the revenue of India will gradually increase in amount; and as it is, India is the only considerable foreign possession belonging to the British crown, that has generally paid the expenses of its government, and produced in some years a considerable surplus.

The collection of a greater revenue in India than is sufficient to defray the expense of its government, and the remittal of the surplus to England, has been stigmatized by Mr. Burke and others as unjust and oppressive. But these censures are totally inapplicable to the English government. Whatever other charges may be justly made against them, they certainly have not drained India of her wealth, to remit it to England. If the accounts between the two countries were fairly balanced, it would, we apprehend, be found that India is more indebted to England than England to India. But the principle on which the objection is founded is fallacious. The revenue of India is mainly derived from a portion of the produce of the land, which the sovereign has uniformly been in the habit of collecting. If, therefore, it were not collected by English agents it would be collected by others; and provided the sums taken from the cultivators be equal, it is immaterial to them to whom they are paid. Nothing, therefore, can be more entirely destitute of foundation than the invectives of those who denounce what they are pleased to call *tribute*; for, in the *first* place, no such tribute has ever been exacted; and, in the *second* place, though it were exacted, it would be no injury to the natives. What is it to them whether the government, by whose authority taxes are imposed and collected, be resident in Delhi or in London? The merit of the British government must be determined by the condition of the people subject to its authority, and by the nature and extent of the burdens imposed on them, and not by visionary notions about abstract expenditure.

While the company's financial condition as a territorial power was thus unprosperous, her mercantile condition was but little better. In so far, indeed, as respects the trade between England and India it was of little more importance than that between England and Jersey or the Isle of Man. It was said that the habits of the Hindoos were unalterable, that our products did not suit their tastes, and that it was idle to suppose that the demand for them would ever be considerably extended. Happily, however, these statements did not obtain the credence they formerly had met with. The fallacies they involved were, indeed, all but obvious. It was visionary to suppose that the servants of such a body as the East India Company should exert all their energies, or conduct the business entrusted to their charge, in the same frugal and parsimonious manner as private individuals trading on their own account, and reaping all the advantages of superior industry, economy, and enterprise. It was known that branches of commerce productive only of loss when managed by the former, had in innumerable instances become extremely lucrative when in the hands of the latter. "Monopoly," to use the words of Gibbon, "has always been, and must always continue to be, the parent of indolence and profusion. The spirit of monopolists is narrow, lazy, and oppressive; their work is more costly, and less productive than that of independent artists, and the new improvements so eagerly grasped by the competition of freedom, are admitted with slow and sullen reluctance in those proud corporations above the fear of a rival, and below the confession of an error."[1]

Parliament being impressed with a just sense of these considerations, the trade to India was opened to the competition of the public in 1814. And the extraordinary increase that immediately took place in our exports to that continent afforded an

parliament should think fit to order. *Third*, When the India debt was reduced to 2,000,000*l.* and the bonded debt to 1,500,000*l.*, *one-sixth* part of the surplus was to be applied to augment the dividends; and the other *five-sixths* were to be paid into the Bank, in the name of the commissioners of the national debt, to be accumulated as a *guarantee fund*, until it amounted to 12,000,000*l.*; and, when it reached that sum, the dividends upon it were to be applied to make up the dividends on the capital stock of the company to 10 per cent., &c., &c.

[1] Mis. Works, i. 49, 8vo. ed.

irrefragable proof of the wisdom of the measure. Unluckily, however, the monopoly of the trade to China was preserved to the company till 1834, when it also was thrown open. The Act for that purpose, the 3 & 4 Will. 4. c. 85, terminated the commercial character of the company.

It seems sufficiently clear that the company profited by the China trade, though to a much less extent than had been generally supposed. Their profit, however, was made at the expense of the public, being a result of the extraordinary demand for tea in this country, and of their having the monopoly of its supply, and consequently the regulation of its price. It, therefore, need occasion no surprise that since the trade was opened, the supplies of tea have been greatly increased, while their price has, at the same time, been greatly reduced. Our exports to China have also been largely increased; so that the superiority of a free over a restricted trade has been as conspicuous in the case of that empire as of India. (For the imports of tea and the duties thereon, see *anté*, p. 94.)

From 1834 down to 1858, when the company was finally abolished, its functions were wholly political, and the directors were, in truth, little more than a council to assist and advise the president of the board of control. During this period some most important events took place in India. The British empire was increased by the acquisition, in 1845, of the territory of Scinde, at the mouths of the Indus; in 1849, of the extensive and fertile country of the Punjab (Five Rivers), in N. W. India, between the Sutlej and the Indus; and, in 1852, of Pegu and Martaban, in Burmah. Being occupied by comparatively brave and hardy races, the subjugation of Scinde and the Punjab was not effected without much difficulty, and after the occurrence of several well-fought battles.

The period referred to is also distinguished by the ill-advised invasion of Affghanistan in 1839. This unprovoked aggression led to the greatest reverse that has ever happened to the English in India. But the disastrous retreat from Cabul having been avenged, and the *prestige* of our arms restored, we finally withdrew from the country in 1842. And it is to be hoped that we may never again, unless from the most urgent necessity, attempt to extend our empire in that quarter beyond its present limits.

A conviction had been for a lengthened period gaining ground, that the company's intervention in the government of India had become inexpedient, and that it should be directly administered by the crown. In 1853 a step was taken in this direction by the act 16 & 17 Vict. c. 95, which reduced the number of directors from 24 to 18, part of which were to be nominated by the Crown, and made other changes. And it is not easy to say how long this modified system might have gone on, had it not been for the outbreak of the gigantic mutiny of 1857.

It would be foreign to our purpose, and inconsistent with our limits, to enter into any lengthened details with regard to the origin, progress, and suppression of this insurrection. We may, however, safely affirm that it was not the result of any conspiracy, or combination, among either a smaller or greater number of the natives. Its outbreak is one of the most extraordinary examples to be found in history of the spread of a moral panic or epidemic. It seems to have originated in January 1857; and to have been caused by the apprehensions of the sepoys quartered in the vicinity of Calcutta, that they would be made to defile themselves by biting cartridges prepared with the fat of kine and hogs! There was, it is needless to say, no real foundation for the alarm; but that did not render it less intense, nor hinder its propagation. Whether it might have been suppressed at first had more vigorous measures been adopted, is doubtful. But after it had diffused itself on all sides its suppression became impossible, except by the extinction of the troops which it had infected. And as they were influenced by strong religious prejudices, and knew the fate that awaited them in the event of their being conquered and disbanded, the atrocities they committed are not to be greatly wondered at.

The experience we have thus acquired should not be thrown away. We may eventually, perhaps, sap the prejudices of the natives; but if we mean to retain possession of India we must carefully abstain from doing anything to excite their suspicions. The sepoys were mostly all Brahmins, and it might consequently have been foreseen that they would all be subject to the same fears and apprehensions, and be ready to join in the same combinations. And hence the policy of recruiting our army from all classes and castes of the population. This will help to prevent the spread of panics and sinister machinations. And such a system, provided we keep a sufficient force of British troops at all the stations, will go far to prevent and nullify any attempts at rebellion on a great scale.

Whether India be worth keeping on such terms is another matter. It would not be difficult to show that it would have been far more for the advantage of England had she never become an Indian power. But the die having been cast, it is our duty to make the most of the situation in which we are placed, and especially to provide, as far as may be in our power, for the well-being of the vast population we have subjected to our dominion.

The prejudice which had begun to grow up against the East India Company was, though without much reason, greatly inflamed by the disasters in Affghanistan and the sepoy rebellion. And advantage was taken of the outbreak of the latter to transfer the government of India from the company to the crown. This was effected by the

act 21 & 22 Vict. c. 106., which terminated, after a prolonged existence of about 258 years, the East India Company,[1]—the most celebrated joint-stock association of which history has preserved any account. For a lengthened period its commercial had been sunk in its military and political character. It had subjugated one of the most extensive empires in the world. And though its policy has been in many respects of a very questionable description, it is entitled to the high praise of having vigorously exerted itself to restrain abuses on the part of its servants, to protect the vast population within its dominion, and provide for their well-being.

The government of India is now vested, under the 21 & 22 Vict. c. 106, in a secretary of state, assisted by a council of 15 members; 8 of the latter were nominated by Her Majesty, and 7 by the East India Company. On vacancies taking place among the former, their successors are to be nominated by the crown; and vacancies among the company's nominees are to be filled up by election by the council. Members hold their situations during good behaviour, receive a salary of 1,200*l.* a year, and a retiring pension of 500*l.* a year. The majority of the council are to consist of persons who have either served or resided in India for 10 years. They are not allowed to sit in parliament.

To enter at any considerable length on the much disputed subject of Indian taxation, would far exceed the narrow limits within which this note must be confined. It is sufficient to observe, that from the remotest æra to the present time, the principal part of the public revenue of eastern countries has been derived from the soil. The land has been held by its immediate cultivators generally in small portions, with a perpetual and transferable title; but they have been under the obligation of making an annual payment to government of a certain portion of the produce of their farms, which might be increased or diminished at the pleasure of the sovereign, the real proprietor of the land, and which has, in almost all cases, been so large, as seldom to leave the cultivators more than a bare subsistence.

The greater part of the revenue of our Indian dominions is derived from this source. In Bengal, and generally throughout the Mogul empire, the gross produce of the soil was divided into equal, or nearly equal shares, between the ryots, or cultivators, and the government. The agents employed by government to collect this revenue were denominated *zemindars;* and their office seems gradually to have become hereditary. That the zemindars were not proprietors of the ground, at least in the sense attached to this phrase in Europe, seems clear from the circumstance, that they could not legally demand more from the ryot than half the produce he had raised; and that so long as he paid this portion, he could not be dispossessed of his farm, but might dispose of it as he pleased. The zemindars were obliged to pay *nine tenths* of the rents they collected from the ryots to government; the other *tenth* being their compensation for the trouble and expence of collection. When the English obtained possession of Bengal, the vitally important question came to be considered, how they were to deal with the cultivators, and how the revenue was to be collected. As was to be expected, various plans were proposed for the regulation of the company's conduct in this difficult and delicate undertaking; but of these, only two attracted any considerable degree of attention; and their principal features may be stated with sufficient distinctness as follows:—The *first* plan was to supersede, or abolish, the class of middlemen or zemindars, on paying them a fair equivalent for the loss of the rights they enjoyed, and to appoint agents, removable at pleasure, to collect the sums payable by the ryots or cultivators, whose rents might be made invariable, or raised from time to time as the country became more prosperous. The *second* plan was to make the assessment perpetual at the existing rate, and to continue the zemindars in their situation, making them directly responsible to government for the assessment payable by the occupiers of their estates, and leaving them, as before, 10 per cent. of its gross amount to indemnify them for the expense and trouble of collection. After a great deal of discussion the latter plan was carried into effect under Marquis Cornwallis. But his lordship did not certainly intend, in converting the zemindars into a class of superior landlords, to enable them to deal at pleasure with the ryots. On the contrary, he declared, when establishing the perpetual settlement, "That every *beguh* of land possessed must have been cultivated under an expressed or implied agreement that a certain sum should be paid for it, and no more; that every *abwab* or tax (or payment) imposed by the zemindars over and above that sum, is not only a breach of that agreement, but a direct violation of the established law of the country; that the cultivator, therefore, has in such case an undoubted right to apply to government for protection to his property; and government is at all times bound to afford him redress." But the vice of the system was that the amount of the payments, or quit-rents, to be made by the ryots, was not correctly ascertained previously to the announcement of the settlement. It rendered the interests of the zemindars and cultivators quite irreconcilable; the one party attempting to increase the rents due to them, and the other to conceal or reduce their amount. Hence the continual contests between them, and the

[1] It still exists in name for the receipt and distribution of dividends and other routine matters; but it is probable that this phantom, *magni nominis umbra*, will speedily disappear.

enormous litigation to which it led, went far to nullify the advantages of which the settlement, had it been properly made, would have been productive.

Lord Cornwallis appears to have supposed that the zemindars would become a class of large landed proprietors, analogous to those of England and other European countries. This, however, was clearly impossible, consistently with the rights of the cultivators. The head landlord, in truth, if the zemindar may be so called, is, under the perpetual settlement, the mere collector of a quit-rent; he cannot interfere with the occupiers, and is not benefited by the better cultivation or improvement of the estate. The bringing of waste land into tillage was the only legitimate way in which he could raise his revenue, and this in many parts was impracticable. And in addition to these unfavourable circumstances, his responsibility for the payment of the enormous assessment due to government, even though he had not received the rents payable by the cultivators, frequently involved him in the most serious difficulties. Hence in no very lengthened period the estates of many zemindars who were unable to make good the claims upon them, were brought to market and sold. In the long run, however, and after a great deal of ruin, and many thousand law suits, the uncertain claims of the zemindars and ryots have mostly been settled, with more or less of fairness, and of late years the provinces subject to the perpetual settlement have greatly improved. The oppressive amount of the assessment is now the principal obstacle to their more rapid advancement.

The reader will not be surprised to learn that the ill success which attended the introduction of the perpetual settlement prejudiced most Indian administrators against the system. This was especially the case with Lord Teignmouth, Colonel Wilkes, Mr. Thackeray, Sir Thomas Munro, and other authorities. Great and continued efforts were, in consequence, made in different parts of India, to improve the methods of letting land to the cultivators without, however, relinquishing its freehold. Some of these have succeeded better than others; but while the rents or assessments are very generally too high, they all labour under the incurable defects of requiring too much *surveillance* on the part of the agents of government, and of deterring the cultivators from making improvements, lest they should lead to an increase of rent. There is in truth but little prospect of any real improvement being effected in India without an entire change of the present system of holding land.

It should be observed in treating of these matters, that the principles involved in the perpetual settlement are one thing, while the mode in which they were introduced is another and a totally different thing. The former, which we incline to think were unexceptionable, fixed at once and for ever the government demand upon the land; and supposing government had dealt directly with the cultivators, without the intervention of middlemen or zemindars, this fixedness of the public demand could not fail, had it been reasonable, to have been an immense boon to the occupiers, that is, to the great bulk of the population. It gave them that security of which they had previously been destitute, and assured them that how much soever they might improve their holdings, they would reap the entire advantage, and that any future attempt to raise their rents was out of the question. And there can hardly, one would think, be a doubt that such an impression must have had a very powerful effect in awakening the dormant energies of the natives and making them industrious.

The only objection worth notice that can be made to the limitation of the assessment on land proceeds on the assumption that it may be injurious to the public interests by cutting off government from all participation in that increased value of the land, which may be expected to result from the construction of railways and other improved means of communication, and so forth. But it will not prevent government from participating in the greater wealth of the cultivators. According as their circumstances improve so will their consumption of foreign and other articles be extended; and by subjecting these to a well-devised system of taxation, a far larger amount of revenue will be realised than it is at all probable would be realised from a mere increase of the assessment on land.

The mischievous results which immediately followed the introduction of the perpetual settlement serve as beacons to warn us against the errors from which they sprung. They show the inconvenience of having anything to do with middlemen; the advantage of dealing directly with the ryots or cultivators; and of making the perpetual assessment moderate in amount. These conditions are all that it is necessary to observe, but they are indispensable. And provided they are gradually carried out with that care and attention which their importance requires, it is all but certain that they will, in the end, contribute in no ordinary degree to the improvement of India.[1]

The suppression of the rebellion in India led to a very great increase of expenditure, which was met, partly by loans, and partly by the imposition of an income tax, an increase of the customs and stamp duties, and otherwise. In the course of the last two years, however, a reduction of about 4,000,000 a year in the expenditure has been effected, and the revenue is now (1863) rather in excess of the expenditure.

[1] We are glad to say that a system of this sort has been laid down, and is to be carried out by government. See a very able letter by the Secretary of State for India (Sir Charles Wood) of the 18th July 1862.

An account of the gross public revenue of India, and of the expenditure on account of the same, in the year 1861-62:—

	£	£
Revenues and Receipts.		
Land Revenue, including Tributes and Contributions from Native States, Sayer and Miscellaneous and Abkaree Revenues, &c.	22,711,717	
Assessed Taxes and Income Tax	2,054,696	
Customs	2,876,139	
Salt	4,563,081	
Opium	6,359,269	
Stamps	1,693,217	
Mint	380,735	
Post Office	402,135	
Electric Telegraph	73,452	
Law and Justice, and Police	511,513	
Marine	155,723	
Public Works	588,858	
Miscellaneous { Civil	468,500	
Miscellaneous { Military	956,219	
Interest	34,218	
		43,829,472
Excess of Expenditure over Income		50,628
		£ 43,880,100
Expenditure.		
Repayments, Allowances, Refunds, and Drawback		341,538
Payments in realization of the Revenue:		
Charges of Collection, &c.	5,505,982	
Miscellaneous	20,742	
Contingencies, Special and Temporary	—	
Total Payments in realization of the Revenue, including Cost of Salt and Opium	5,526,724	
Allowances and Assignments under Treaties and Engagements	1,640,466	
Allowances to District and Village Officers, &c.	599,682	
Total of the direct Claims and Demands upon the Revenues, including Charges of Collection and Cost of Salt and Opium		8,108,410
Charges in India, viz.:		
Army	13,681,900	
Indian Navy and Marine	686,193	
Public Works. { Imperial	4,362,183	
Public Works. { One per Cent. Income Tax Fund	380,000	
Salaries and Expenses of Public Departments	1,106,749	
Law and Justice	1,951,217	
Police	2,163,163	
Education, Science, and Art	342,593	
Political Agencies and other Foreign Services	210,670	
Superannuation and Retired Allowances, &c.	703,297	
Miscellaneous	209,702	
Civil Contingencies	204 782	
		26,002 449
Interest on Debt		3,134,897
		£ 29,137,346
Charges in England, excluding the Value of Stores supplied to India	5,209,264	
Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting Net Traffic Receipts	1,425,080	
		43,580,100

Debt (in 1863) probably about 100,000,000*l.*

The tax on the opium shipped from India forms, as seen from the above statement, a very important item of revenue; and it also affords a very striking example of the advantage that may sometimes be derived from taxing exports. The opium is produced under a government monopoly, the culture of the poppy being confined to Bahar, Benares, and Malwa in Central India, these being the countries best suited for its growth. Every one who chooses may raise it within the prescribed limits; but after being raised and prepared, the drug must be sold at a fixed price to the agents of government. And this price being far below the price at which the latter sell it for exportation, the difference constitutes the opium revenue, which now amounts, deducting expenses, to above 4,000,000*l.* a year, being more than the entire land revenue of Bengal.[1] It has been proposed to throw open the trade in opium, by allowing everybody to raise and sell it at pleasure; and it is contended that by adopting this scheme, and laying a proper duty on it, when sent abroad, government would gain considerably. But without staying to inquire into the correctness of this statement, it is plain that nothing can be better fitted than the opium of India to be subjected to a duty on being exported. It is almost all sent to China, where the consumption, which exceeds 70,000 chests a year, is said to be gradually extending. And though it be nowise incumbent on the government of India to look beyond the interests of their own subjects, yet, as opium when taken in excess is highly injurious, it is obvious that in raising its price to the point at which it will yield the maximum amount of revenue, they do that which is best for the well-being of the Chinese, as well as for the wants of the Indian Treasury.

NOTE XXI.

FOUNDATIONS.

Dr. Smith has not treated except incidentally, the subject of Foundations, that is of institutions established to promote some pious, useful, or charitable purpose. Such institutions have sometimes been founded by the state, but in the great majority of instances they owe their origin to the benevolence, or more frequently, perhaps, to the vanity of individuals. They have been established for a vast variety of purposes. During the middle ages it was customary to bequeath property for the establishment of monas-

[1] In 1861-62 no fewer than 70,083 chests of opium were exported from India to China; the gross revenue thence arising was estimated at 6,300,000*l.* and the expenses at 2,100,000*l.*

teries, the performance of masses and other religious ceremonies, and for the formation of scholastic institutions. The universities of Oxford and Cambridge are noble examples of the last species of foundations; and by far the greater number of the grammar and free schools of Britain, and, indeed, of Europe, derive their origin from the same source. An immense deal of property has also been bequeathed by individuals in this and other countries for the erection and endowment of hospitals and foundations of various descriptions for the relief and assistance of the destitute, maimed, and impotent poor; for the construction of public works; and sometimes also for providing recreation and amusement for the public.

Considering the very great extent of property vested in foundations, its annual value amounting, it is believed, in England only, to little short of 2,000,000*l.* a year, and their importance in a public point of view, it may appear strange that the principles upon which they should be established are far from being well ascertained. This, however, is not, perhaps, to be wondered at, the subject being one of no common difficulty. It may, on the whole, be safely assumed that it is sound policy to permit individuals to bequeath their property to strangers to the exclusion of their children or relations. But it does not, therefore, follow that they should also be authorized to disinherit their children and relations, that they may expend their property upon some public object. The disinherison of children or near relatives, to provide for strangers, is a most ungracious proceeding, and one which hardly any misconduct on the part of the former will justify in the opinion of the public; and, hence, the little fear of its ever becoming injuriously prevalent. But, while the bequeathing of property for public purposes, to the prejudice of one's natural heirs, is more likely to gratify the vanity of individuals it is not so likely to be condemned by the public. On the contrary, it is sometimes regarded with a considerable degree of favour. In this case, one family has not been injured that another may be benefited; but it seems as if the injury of one was to redound to the advantage of the community. The disinherison of children or legitimate heirs, in favour of some public purpose or institution is, therefore, different from their disinherison in favour of other private heirs; and this difference is, perhaps, sufficient to warrant the legislature interfering in behalf of the former. It is a contradiction for the same individual to endow an hospital, and to leave his family destitute. In such cases, something like the *legitim* of the Roman law might be introduced with advantage. Before a man begins to indulge in the vanity, or to claim the credit, of being esteemed a public benefactor, it would seem only reasonable that he should make some provision for his children and poor relations. The luxury of doing good to strangers may in most cases be conveniently deferred till justice has been done to one's own house.

But, where no undue or improper influence has been used, a public purpose is but seldom promoted by the disinherison of a deserving family; and it may not be thought worth while to guard against such an evil, by trenching on the freedom of devising property by will. The great difficulty in dealing with foundations consists, first, in determining the objects for which they should be permitted to be established; and second, in determining the degree of power to be given to the founders, to lay down rules or regulations for their government in time to come. It is plain that the decision of these points involves questions of much difficulty and importance. With regard to the first, it will be readily admitted that it would be highly inexpedient to permit a foundation to be established for the promotion of any object inconsistent with, or hostile to, the well-being of the public. But it is not so easy a matter as might be supposed, to hinder this from being done. "*Pauci*," says Tacitus, "*honesta ob deterioribus, utilia ab noxiis discernunt.*" There would, of course, be no difficulty in preventing the establishment of a foundation which had an obviously irreligious or immoral tendency; but a foundation established with the best intentions may have a pernicious influence. The establishment of public schools and other institutions for the promotion of education, may be said, speaking generally, to be advantageous; but if they be constituted so as to furnish instruction for the children of those who can, as well as those who cannot, afford to pay for it, their utility becomes not a little questionable. The establishment of almshouses, or retreats for the reception of deserving persons, broken down by age and infirmities, and without any means of support, may, under proper restrictions, be beneficial. But it is, at the same time, not to be denied that the circumstance of its being known that such asylums exist for the reception and maintenance of those who may be unable to maintain themselves has an undoubted tendency to check the development of industry and economy. And it is argued that the mischievous influence of such a feeling over a community is not countervailed by the relief of a few exceptional cases. It is the bounden duty of all persons to provide for themselves and their families; and whatever interferes with or weakens the sense of this duty must in so far be objectionable. But in matters of this sort the soundest principles cannot always be acted upon. Individuals may have been idle and improvident, but are they therefore to be allowed to die in the streets? And every now and then instances occur when from accidental circumstances, and without blame attaching to any one, individuals have not made, and could not make, adequate provision for themselves and their families, and in such cases public almshouses may be

highly useful. But the misfortune is that institutions for the relief of the parties referred to are very apt to be perverted and abused. Whatever else charity may cover, she has thrown a shield, as broad and impenetrable as that of Ajax, over a vast amount of embezzlement and abuse. Hosts of managers, visitors, treasurers, secretaries, chaplains, and so forth have been enriched under pretence of taking care of the interests of the poor. Sometimes, indeed, the revenues of well-endowed asylums, that were intended to minister to the wants of the necessitous and friendless, have been wholly seized upon by their administrators; and when they have been fortunate enough to escape being swallowed up in that way, they have most commonly become retreats for the reduced relations of persons in prosperous circumstances, so that in either case they do more harm than good.

Nothing would be so easy as to specify conspicuous instances of the truth of what has now been stated.[1] They may be found in most parts of the country, and in most great towns. In some of the latter the more intelligent portion of the citizens have begun of late years to entertain serious doubts whether the establishments for the support of the poor and their education be not positively pernicious. It may be laid down as a general principle, from which there are but few, if any, exceptions, that whatever individuals may do for themselves had better be left to their own care and attention. The efforts of the state and of benevolent parties should be restricted to the assistance of those who have none on whom to fall back; who are unable to furnish themselves with necessary accommodation; or who are involved in sudden, unlooked for, and perhaps irremediable distress. And it would be good policy to prevent the establishment of any foundation which it was clearly seen would contradict this principle.

But, second, a great practical difficulty in dealing with foundations, consists in determining the degree of power to be given to the founders to lay down rules and regulations for their future government. The objects for which foundations are established are, in the immense majority of cases, approved by public opinion at the æra of their institution. But this opinion may subsequently change; and though it did not, the method of administering foundations is, no doubt, as susceptible of improvement as most other things. Here, therefore, we are beset with difficulties; for if, on the one hand, the power given to founders to frame rules for the government of foundations were too much restricted, the establishment of the most beneficial institutions might be discouraged; while, on the other hand, if the wills of founders were in all cases unconditionally carried out, the consequences might be, and most likely would be, extremely injurious; inasmuch as it would be permitting the folly, ignorance, presumption, or dotage of individuals, to become standards for all future ages! But it is needless to say that no pretension of this sort can ever be safely tolerated; and that no man, or select number of men, should be allowed to legislate for succeeding generations. It is difficult indeed, or rather, perhaps, impracticable, to define, *à priori*, how far interference should be carried in such cases; but it is abundantly obvious that it is frequently indispensable, even to the proper carrying out of the plans of the founders. It is impossible to doubt the pious and benevolent views of many of those who left property to monastic institutions; but still less is it possible to hesitate applauding the conduct of the Reformers, who diverted this property to other purposes, and who justly considered that the terms of a will or other instrument dictated in a comparatively unenlightened age, should not be permitted to consecrate and prolong a system which had been discovered to be hostile alike to the spiritual and temporal interests of society The regulations of the great Alfred, and of the other founders of the Universities of Oxford and Cambridge, may have been excellent when they were framed, but had they been strictly adhered to their chairs must now have been filled with Aristotelian doctors, and with lecturers on the Ptolemaic system of the world, and the infallibility of the Pope.

The establishment of foundling hospitals is another instance of the same kind. They were projected and have been kept up with the best intentions; but it admits of little question, and is now, indeed, generally acknowledged, that they have been productive of a greater amount of crime and mortality than they have obviated. And such being the case it is most unjust to the memory of their founders to suppose that they would have bequeathed property for their foundation had they been aware of their real character and influence.

It is said that a sum of no less than 50,000*l.* is annually appropriated to the support of what are called apprenticeship charities, that is, for paying the fees charged against young persons of both sexes when they are apprenticed to learn certain trades or professions. But it is believed, apparently on good grounds, that these charities, instead of doing any good, do a great deal of harm; that while the fees which they offer have no influence over the superior class of tradesmen, who look only to the character and connexions of those they take into their service, they tempt the less reputable descriptions of tradesmen to engage the charity boys or girls, who, in consequence, are badly trained, and often, indeed, initiated in very questionable practices. These are a class of charities which, as they do not really seem to be susceptible of improvement, ought to be suppressed, and their revenues otherwise applied.

The utility of many of the educational

[1] Some of them were referred to by Mr. Gladstone in his speech on the 4th May 1863. See, also, the very able speech of Mr. Grant Duff, 11th June 1863.

foundations established in different parts of the country, though latterly improved, is still greatly narrowed by the injudicious rules laid down for their government; while some of those that were intended for the exclusive use of the children of the poor and the destitute have become favourite places of education for the children of the middle and upper classes, or of those who are well able to provide it for themselves. And it frequently happens, when the institutions have not been diverted from their intended purpose, that the instruction they afford is quite unsuitable for the condition and prospects of the pupils. Sometimes it is restricted to Latin and Greek, when there is no one to learn either the one or the other, and it is often clogged with troublesome and absurd conditions.

Sometimes, however, these are kept up in the view of obviating something still more objectionable. Thus, in the case of the boys admitted to Christ's Hospital, their dress is uncomfortable, prejudicial to health, and so antiquated and grotesque as to make them be pointed at in the streets. But everybody knows that, were it not for the dress in question, the children of the poor, for whom it was established, would have very little chance of ever getting within its walls. Even with the drawback of the dress, it is in great part filled with the children of the middle classes, that is, of those who can and ought to provide for an expenditure of this sort.

Hence it is that all unprejudiced parties, acquainted with the circumstances, are ready to admit that there are no institutions that stand more in need of a careful revision and remodelling than foundations for educational purposes. The sphere of their utility might be very greatly extended, at the same time that the education which the greater number of them afford, might be vastly improved and made more applicable to its object. And no one, surely, will contend that more regard is due to the whims, caprices, or mistaken, though benevolent, views of the founders, than to the interests and well-being of the successive generations, to whom they might be made to furnish an education suited to the various exigencies and demands of the periods in which they live. "Whatever," says a very learned and able writer, "may be their genuine origin, it is always proper to consider foundations of this kind (for educational purposes) as having originated in the pure motives of benevolence and public spirit; and to promote their correspondence with the progressive nature of man must be deemed perfectly consistent with the general principles which their authors ostensibly entertain."[1]

In his famous article on Foundations, in the *Encyclopédie*, Turgot[2] contends that they are universally objectionable; and that, sooner or later, they are sure to degenerate, and to become productive only of abuse. And it must be confessed, looking at the sinister influence inseparable from some of these institutions, and at the abuses and corruption that prevail in others, that experience rather tends to confirm this sweeping condemnation. But though many foundations are certainly prejudicial, such is not the case with others; and before condemning them in the mass, it should be ascertained that there are no means of obviating the abuses with which they are so apt to be infected. The efforts hitherto made in that view have not, indeed, been very successful; but in this country, at all events, this would appear to be a consequence, rather of the cumbrous and costly nature of the machinery resorted to, than of the difficulties inherent in the subject. The Court of Chancery has been vested with a sort of general jurisdiction or supervision over charities or foundations. It usually proceeds, on the petition of the attorney-general on behalf of the crown, to inquire into and correct abuses in their management; to decide, when there is any ambiguity in the matter, in regard to the intentions of testators; to apply property left for a purpose contrary to law, or for a purpose which may have become void, to some other purpose, &c. But the expense and delays of proceedings in Chancery are proverbial; and the grossest abuses may, and very frequently do exist, without their ever being brought under the notice of the court. It has not been enough to make this be done, that the attorney-general should suspect or be aware of their existence. In the ordinary course of practice he could take no step till some private party, called the relator, was associated with him in filing the information, who was to be bound to answer for the conduct of the suit, and for the costs in the event of its failure. And it is evident that no common zeal, joined to an extremely strong case, would be required, to induce any responsible party to encounter, on public grounds, what is always a serious and indefinite risk. To lessen the difficulties in the way of investigation, it was enacted by the 52 Geo. 3. c. 101., that any two or more persons may, on obtaining the previous sanction of the attorney or solicitor-general, petition a court of equity to correct abuses in charitable trusts. The petition is to be heard summarily, and the order, which the Court may take upon it, is to be final and conclusive, unless appealed against within two years. Other regulations were also enacted, authorizing the commissioners appointed under the acts 58 Geo. 3. c. 91. and 2 Will. 4. c. 57., &c. to inquire into the condition of charities; to certify cases requiring the intervention of the attorney-general, and so forth.

These contrivances seem, however, to be both operose and inefficient. Little we fear will be done for the correction of abuses by trusting to the public spirit of individuals, or to their sense of duty. The chances of succeeding would be incomparably greater if, instead of making their amendment or eradication a source of trouble and expense

[1] Irving's Life of Buchanan, 2nd ed. p. 182.

[2] And in his works, tom. iii. pp. 235-255.

to the parties prosecuting, we endeavoured to make it for their advantage. And, after all, the leading defects in most foundations consist less, perhaps, in the embezzlement or perversion of their revenues, than in their being established on erroneous principles, and in the maintenance of practices and regulations which have become obsolete, and should be changed.

In 1853 a set of Commissioners were appointed, under the Act 16 & 17 Vict. c. 137. (amended by subsequent Acts), to inquire into the condition of charities in England and Wales, with power to call for papers and accounts, to control the proceedings of trustees, to appoint inspectors, &c. The Act referred to does not, however, extend to either Scotland or Ireland, or to the universities of Oxford and Cambridge, the colleges of Winchester and Eton, &c.; and it is also specially provided that where any charity is maintained, partly by endowments and partly by voluntary contributions, the Commissioners shall have no power to interfere with or inquire into the expenditure of the latter, nor into the appropriation of any donation or bequest left in aid of such voluntary contributions. Although, therefore, the *surveillance* exercised by the Commissioners were otherwise as efficient as could well be desired, it would require to be very greatly extended. There is quite as much mismanagement in the disposal of funds derived from voluntary subscriptions as in the disposal of those derived from endowments, and there is no sufficient reason for exempting the one more than the other from a wholesome supervision.

We may observe in reference to what has now been stated, that according to the best attainable information, the total amount expended on the various established charities of London in 1861 amounted to the immense sum of 2,441,967*l.*, of which no less than 1,600,591*l.* was derived from voluntary contributions.[1] And considering the doubtful expediency of many of the charities for which these vast sums are raised, and the want of anything like an efficient check over the proceedings of the managers, it is obvious that it is alike necessary to subject the principles on which they are established, and their administration to a searching examination and an effectual reform. There are, no doubt, some striking exceptions; but it is believed that in many charitable institutions, and in some more than in those that are most frequent in their appeals to the public, a large share of their revenue finds its way into the pockets of the needless train of officials, parasites, and agents who have usurped their direction, or to whom it has been intrusted.

We could, however, therefore, imagine that there have been made of late years less the conditions and permanence of charities, than the supervision of the persons and former uses of Commissioners have done much to put down some of the grosser abuses by which they were infected, and have caused a great many useful reforms. But a vast deal remains to be done before the many foundations and charities in all parts of the country are purified from abuse, and made as advantageous as they should be. And we venture to think that much might be done in this way were the inspectors attached to the office of the Commissioners rendered as efficient as they might easily be made. To do this little more would be necessary than to open all foundations, or rather all charities, however supported, to the inspectors, who should be entitled to visit them whenever they thought proper. These officers should be bound to inquire carefully into their history and establishment, and to make yearly or half-yearly reports on everything connected with their revenues, administration, present state, and practical influence.

It should be made a *sine qua non* that these reports should be regularly published in the papers of the districts in which the charities reported upon are situated, and that they should be sold at a low price. And it should further be made a rule that the reports of the Inspectors should be published as sent to the Commissioners, without being abbreviated or in anywise garbled. If otherwise they are not the reports of the inspectors, and become in great measure worthless. If an inspector should make an irrelevant report, or enter into tedious details or discussions, he may be admonished, and directed to confine himself more to matters appertaining to the state and management of the charity. But considerable latitude should be given to inspectors, and in no case should their reports be intermeddled with. Their publication would be a sure test of their capacity properly to discharge their functions, while the taste and discernment of the public would teach them how to make their reports interesting and valuable. They would occasion lively commentaries in the neighbourhood, and be discussed by those interested in the state of the charities. The care taken in drawing them up, and the *animus* of the writers, would in most instances be evident, and the criticisms of the press and the public would not fail to make whatever was deficient or objectionable be supplied and corrected. It is not at all necessary that things which the Commissioners might be induced to bring before the public may be those with respect to which it is most desirous to have full information. No stress should ever be laid on reports addressed to the Commissioners only. These, being essentially private communications, are of no more use with any intermixture of the character of publicity as of any real service, would in reality be more likely to increase causes of misunderstanding and hindering than of removing real abuses. To do this, publicity must be of the most searching and perfect kind. The fact of the reports of the inspec-

[1] Twelfth Report of Inspectors, p. 21. 1861.

tors being disagreeable to, or protested against by parties connected with the administration of charities, so far from being a ground for their being withheld or tampered with, should be an additional reason for their being published entire. If the statements embodied in them should in any instance be either false or libellous, they will be speedily corrected. And the disgrace in which such statements would involve the inspector by whom they were made, would be sufficient to insure their being of rare occurrence.

Very many of the endowments for educational and other purposes, scattered up and down the country, are of such trifling amount that it would hardly be practicable to devise any means by which to prevent their misapplication. And it has been proposed to confiscate the revenues arising from such endowments, and to apply them in aid of the system of national education established by government, and of the infirmaries and hospitals in the different towns. The adoption of a plan of this sort would get rid of a vast number of petty abuses which it would either be impossible or very difficult otherwise to eradicate.

Perhaps, also, it might be expedient to order that all projects, whether for the establishment of new foundations, or for the extension of those already in existence, should be submitted to the examination of the Home Office, or of the Commissioners, who should inquire into the circumstances, and having done so, report whether the objects of the founders were really laudable; and whether the rules and regulations by which the foundations were to be governed were suited to their end. Inquiry might also be made into the condition of the families and relations (if there were any) of the founders; so that in the event of their being left destitute, some provision might be made for them.

The Court of Chancery appears, in the interpretation of testamentary bequests, to have acted under a very strong bias in favour of charities. If a man bequeath property for a charitable purpose, though it be impossible, or contrary to law or the public interests as interpreted by the Court, the latter does not adjudge the property to his heir-at-law, but directs it to be applied to some purpose of the same species, though perhaps of different variety. Some curious instances might be given of the extent to which this substitution of one object for another has been carried. In one, the Court set aside the will of a Jewish gentleman who had left 1,200*l.* to a society for reading and expounding the Mosaic law, and gave the legacy to the Foundling Hospital! a decision which shows that law may sometimes have little connexion with justice, and still less with expediency or common sense.

It is high time, certainly, that the Court of Chancery were relieved of all trouble in regard to foundations. But it would not be difficult were they subjected to the publicity, and to something like the agency referred to above, to secure for the public the full advantage of such institutions, without deterring really benevolent persons from undertaking their establishment. At all events, interference to a very considerable extent is absolutely indispensable, to hinder their abuse, to make them subservient to the public interests, and in accordance with what may be fairly supposed would have been the wish of the founders had they been aware of the circumstances. The principle of *laissez faire* may be safely trusted to in some things, but in many more it is wholly inapplicable, and to appeal to it on all occasions savours more of the policy of a parrot than of a statesman or a philosopher. Whenever individuals set about founding establishments for the promotion of some purpose of public utility, it is the duty of government to make sure, before authorizing their foundation, that the purpose of the founders is really what it professes to be; and it is its further duty to take care that the institution be not eventually perverted or misapplied; that the bounty which was intended for the support of the poor and the unfortunate, be not monopolized by the rich; and that what was intended for the encouragement of industry and good conduct do not, in the hands of incompetent or dishonest managers, become an incentive to idleness and vice. It may happen again, as it has happened already, that the object for which an institution has been founded may, in the course of time, cease to exist, or be ascertained to be unworthy of patronage; and, in either case, it would be a profligate waste of the national resources to expend money upon it. And we should not wait for a reformation or a revolution to divert the wealth that is thus thrown away into some more beneficial channel.[1]

NOTE XXII.

ON THE VALUE AND PROPER MODE OF CONFERRING LITERARY AND SCIENTIFIC DEGREES.

A good deal of difference of opinion has existed with respect to the expediency of government interfering to regulate or ascertain the qualifications of persons entering on the professions of law, physic, and divinity. The readers of the Wealth of Nations will have seen that Dr. Smith entertained a very low opinion of the value of degrees or academical distinctions conferred by universities (*antè*, pp. 341-352); and consequently, of the policy pursued in this and other countries, of reserving the right to exercise the learned professions to those who have obtained such distinctions. But we are fortunately able to lay before the reader a more detailed statement of Dr. Smith's

[1] Some parts of this note have been extracted from the chapter on foundations in the Treatise on the Succession to Property vacant by Death, by the Editor of this work.

views on this interesting subject, than is to be found in the Wealth of Nations. Down to a comparatively late period the universities of St. Andrew's and Aberdeen were in the custom of granting degrees "in absence," on the mere certificate of any two physicians that the individual they recommended was worthy the degree of M.D.! Some circumstances occurred in 1773 which drew the attention of the medical profession to this disgraceful practice; and, in 1774, the celebrated Dr. Cullen, then a professor in the university of Edinburgh, endeavoured, through the influence of the Duke of Buccleugh, to get a royal commission appointed for the visitation of the Scotch universities, with a view to the correcting of these and other abuses, in their constitution and discipline. Before taking any steps in the matter, the Duke of Buccleugh requested Dr. Cullen to submit his memorial to Dr. Smith for his opinion. This having been done, the latter sent Dr. Cullen the following letter, which, whatever may be thought of the soundness of its views, must be admired for its ability, and ingenuity.

"MY DEAR DOCTOR,

"I have been very much in the wrong both to you and to the Duke of Buccleugh, to whom I certainly promised to write you in a post or two, for having delayed so long to fulfil my promise. The truth is, some occurrences which interested me a good deal, and which happened here immediately after the duke's departure, made me forget altogether a business which I do acknowledge interested me very little.

"In the present state of the Scotch universities, I do most sincerely look upon them as, in spite of all their faults, without exception the best seminaries of learning that are to be found any where in Europe. They are, perhaps, upon the whole, as unexceptionable as any public institutions of that kind, which all contain in their very nature the seeds and causes of negligencies and corruption, have ever been, or are ever likely to

That, however, they are still capable of amendment, and even of considerable amendment, I know very well, and a visitation is, I believe, the only proper means of procuring them this amendment. Before any wise man, however, would apply for the appointment of so arbitrary a tribunal, in order to improve what is already, upon the whole, very well, he ought certainly to know with some degree of certainty first, who are likely to be appointed visitors; and, secondly, what plan of reformation those visitors are likely to follow. But in the present multiplicity of interests to some share in the provincial management of Scotch affairs, these are two points which I apprehend neither you nor I, nor the Solicitor General, nor the Duke of Buccleugh, can possibly know any thing about. In the present state of our affairs, therefore, to apply for a visitation in order to remedy an abuse, which is not perhaps of great consequence to the public, would appear to me to be extremely unwise. Hereafter, perhaps, an opportunity may present itself for making such an application with more safety.

"With regard to any admonition or threatening, or any other method of interfering in the affairs of a body corporate which is not perfectly and strictly regular and legal, these are expedients which I am convinced neither his majesty, nor any of his present ministers would choose to employ either now or at any time hereafter, in order to obtain an object even of much greater consequence than this reformation of Scotch degrees.

"You propose, I observe, that no person should be admitted to examination for his degrees, unless he brought a certificate of his having studied at least two years in some university. Would not such a regulation be oppressive upon all private teachers, such as the Hunters, Hewson, Fordyce, &c.? The scholars of such teachers surely merit whatever honour or advantage a degree can confer, much more than the greater part of those who have spent many years in some universities, where the different branches of medical knowledge are either not taught at all, or taught so superficially that they had as well not be taught at all. When a man has learned his lesson very well, it surely can be of little importance where or from whom he has learnt it.

"The monopoly of medical education which this regulation would establish in favour of universities would, I apprehend, be hurtful to the lasting prosperity of such bodies corporate. Monopolists very seldom make good work, and a lecture which a certain number of students must attend, whether they profit by it or no, is certainly not very likely to be a good one. I have thought a great deal upon this subject, and have inquired very carefully into the constitution and history of several of the principal universities of Europe. I have satisfied myself, that the present state of degradation and contempt into which the greater part of those societies have fallen in almost every part of Europe arises principally, first, from the large salaries which in some universities are given to professors, and which render them altogether independent of their diligence and success in their professions, and, secondly, from the great number of students, who, in order to get degrees, or to be admitted to exercise certain professions, or who, for the sake of bursaries, exhibitions, scholarships, fellowships, &c., are obliged to resort to certain societies of this kind, whether the instructions which they are likely to receive there are or are not worth receiving. All those different causes of negligence and corruption, no doubt take place, in some degree, in all our Scotch universities. In the best of them, however, those causes take place in a much less degree than in the greater part of other considerable societies of the same kind; and I look upon the circumstance as the real

cause of their present excellence. In the medical college of Edinburgh in particular the salaries of the professors are insignificant. There are few or no bursaries or exhibitions, and their monopoly of degrees is broken in upon by all other universities, foreign and domestic. I require no other explication of its present acknowledged superiority over every other society of the same kind in Europe.

"To sign a certificate in favour of any man whom we know little or nothing about, is most certainly a practice which cannot be strictly vindicated. It is a practice, however, which, from mere good nature, and without interest of any kind, the most scrupulous men in the world are sometimes guilty of. I certainly do not mean to defend it. Bating the unhandsomeness of the practice, however, I would ask in what manner does the public suffer by it? The title of Doctor, such as it is, you will say, gives some credit and authority to the man upon whom it is bestowed; it extends his practice, and consequently his field for doing mischief. It is not improbable, too, that it may increase his presumption, and consequently his disposition to do mischief. That a degree injudiciously conferred may sometimes have some little effect of this kind, it would surely be absurd to deny; but that this effect should be very considerable, I cannot bring myself to believe. That doctors are sometimes fools as well as other people, is not, in the present times, one of those profound secrets which is known only to the learned. The title is not so very imposing, and it very seldom happens that a man trusts his health to another merely because that other is a doctor. The person so trusted has almost always either some knowledge or some craft which would procure him nearly the same trust, though he was not decorated with any such title. In fact, the persons who apply for degrees in the irregular manner complained of, are, the greater part of them, surgeons or apothecaries, who are in the custom of advising and prescribing, that is, of practising as physicians; but who, being only surgeons and apothecaries, are not feed as physicians. It is not so much to extend their practice as to increase their fees that they are desirous of being made doctors. Degrees conferred, even undeservedly, upon such persons can surely do very little harm to the public. When the university of St. Andrew's very rashly and imprudently conferred a degree upon Green, who happened to be a stage-doctor, they no doubt brought much ridicule and discredit upon themselves; but in what respect did they hurt the public? Green still continued to be what he was before, a stage-doctor, and probably never poisoned a single man more than he would have done though the honours of graduation had never been conferred upon him. Stage-doctors, I must observe, do not much excite the indignation of the Faculty; more reputable quacks do. The former are too contemptible to be considered as rivals. They only poison the poor people; and the copper-pence which are thrown up to them in handkerchiefs could never find their way into the pocket of a regular physician. It is otherwise with the latter. They sometimes intercept a part of what perhaps would have been better bestowed in another place. Do not all the old women in the country practise physic without exciting murmur or complaint? And if here and there a graduated doctor should be as ignorant as an old woman, where can be the great harm? The beardless old woman indeed, takes no fees—the bearded one does; and it is this circumstance, I strongly suspect, which exasperates his brethren so much against him.

"There never was, and, I will venture to say, there never will be, a university from which a degree could give any tolerable security, that the person upon whom it had been conferred was fit to practise physic. The strictest universities confer degrees only upon students of a certain standing. Their real motive for requiring this standing is, that the student may spend more money among them, and that they may make more profit by him. When he has attained this standing, therefore, though he still undergoes what they call an examination, it scarce ever happens that he is refused his d[illegible] examination at Edinburgh, I h[illegible] to believe, is as serious, and per[illegible] than that of any other universi[illegible] But when a student has resided [illegible] among you, has behaved dutifu[illegible] professors, and has attended [illegible] their lectures, when he comes [illegible] nation, I suspect you are disp[illegible] good-natured as other people. [illegible] your graduates, upon applying [illegible] to the College of Physicians [illegible] it recommended to them to [illegible] studies. From a particular [illegible] some of the cases, I am sati[illegible] decision of the college, in [illegible] their licence, was perfectly jus[illegible] perfectly agreeable to the pri[illegible] ought to regulate all such dec[illegible] the candidates were really ve[illegible] their profession.

"A degree can pretend to [illegible] for nothing but the science of [illegible] and even for that it can gi[illegible] slender security. For his go[illegible] discretion, qualities not disco[illegible] academical examination, it ca[illegible] curity at all for. But withe[illegible] presumption which commonl[illegible] ence must render it, in the prac[illegible] ten times more dangerous th[illegible] ignorance, when accompanie[illegible] times is, with some degree of [illegible] diffidence.

"If a degree, in short, al[illegible] and in spite of all the regulat[illegible] be made, always must be, a [illegible] quackery, it is certainly for th[illegible] the public that it should be [illegible] be so. It is in a particular [illegible]

advantage of the universities, that, for the resort of students, they should be obliged to depend, not upon their privileges, but upon their merit,—upon their abilities to teach, and their diligence in teaching; and that they should not have it in their power to use any of those quackish arts which have disgraced and degraded the half of them.

"A degree which can be conferred only upon students of a certain standing is a statute of apprenticeship which is likely to contribute to the advancement of science, just as other statutes of apprenticeship have contributed to that of arts and manufactures. Those statutes of apprenticeship, assisted by other corporation laws, have banished arts and manufactures from the greater part of towns-corporate. Such degrees, assisted by some other regulations of a similar tendency, have banished almost all useful and solid education from the greater part of universities. Bad work and high price have been the effects of the monopoly introduced by the former. Quackery, imposture, and exorbitant fees, have been the consequences of that established by the latter. The industry of manufacturing villages has remedied in part the inconveniences which the monopolies established by towns-corporate had occasioned. The private interest of some poor professors of physic in some poor universities, inconveniently situated for the resort of students, has in part remedied the inconveniences which would certainly have resulted from that sort of monopoly which the great and rich universities had attempted to establish. The great and rich universities seldom graduated anybody but their own students, and not even them till after a long and tedious standing: five and seven years for a master of arts; eleven and sixteen for a doctor of law, physic, or divinity. The poor universities, on account of the inconveniency of their situation, not being able to get many students, endeavoured to turn the penny in the only way in which they could turn it, and sold their degrees to whoever would buy them, generally without requiring any residence or standing, and frequently without subjecting the candidate even to decent examination. The less troublo they gave the more money they got; and I certainly do not pretend to vindicate so dirty a practice. All universities being ecclesiastical establishments, under the immediate protection of the pope, a degree from any one of them gave, all over Christendom, very nearly the same privileges which a degree from any other could have given; and the respect which is at this day paid to foreign degrees, even in protestant countries, must be considered as a remnant of popery. The facility of obtaining degrees, particularly in physic, from those poor universities, had two effects, both extremely advantageous to the public, but extremely disagreeable to the graduates of other universities, whose degrees had cost them much time and expense. First, it multiplied very much the number of doctors, and thereby no doubt sunk their fees, or at least hindered them from rising so very high as they otherwise would have done. Had the universities of Oxford and Cambridge been able to maintain themselves in the exclusive privilege of graduating all the doctors who could practise in England, the price of feeling a pulse might by this time have risen from two and three guineas, the price which it has now happily arrived at, to double or treble that sum; and English physicians might, and probably would, have been at the same time the most ignorant and quackish in the world. Secondly, it reduced a good deal the rank and dignity of a doctor. But if the physician was a man of sense and science, it would not surely prevent his being respected and employed as a man of sense and science. If he was neither the one nor the other, indeed, his doctorship would no doubt avail him the less. But ought it in this case to avail him at all? Had the hopeful project of the rich and great universities succeeded, there would have been no occasion for sense or science. To have been a doctor would alone have been sufficient to give any man rank, dignity, and fortune enough. That in every profession the fortune of every individual should depend as much as possible upon his merit, and as little as possible upon his privilege, is certainly for the interest of the public. It is even for the interest of every particular profession, which can never so effectually support the general merit and real honour of the greater part of those who exercise it, as by resting upon such liberal principles. Those principles are even most effectual for procuring them all the employment which the country can afford. The great success of quacks in England has been altogether owing to the real quackery of the regular physicians. Our regular physicians in Scotland have little quackery, and no quack accordingly has ever made his fortune among us.

"After all, this trade in degrees I acknowledge to be a most disgraceful trade to those who exercise it; and I am extremely sorry that it should be exercised by such respectable bodies as any of our Scotch universities. But as it serves as a corrective to what would otherwise soon grow up to be an intolerable nuisance, the exclusive and corporation spirit of all thriving professions and of all great universities, I deny that it is hurtful to the public.

"What the physicians of Edinburgh at present feel as a hardship is, perhaps, the real cause of their acknowledged superiority over the greater part of other physicians. The Royal College of Physicians there, you say, are obliged by their charter to grant a licence, without examination, to all the graduates of Scotch universities. You are all obliged, I suppose, in consequence of this, to consult sometimes with very unworthy brethren. You are all made to feel that you must rest no part of your dignity upon your degree—a distinction which you share with

the men in the world, perhaps, whom you despise the most; but that you must found the whole of it on your merit. Not being able to derive much consequence from the character of Doctor, you are obliged, perhaps, to attend more to your characters as men, as gentlemen, and as men of letters. The unworthiness of some of your brethren may, perhaps, in this manner be in part the cause of the very eminent and superior worth of many of the rest. The very abuse which you complain of may in this manner, perhaps, be the real source of your present excellence. You are at present well, wonderfully well; and when you are so, be assured there is always some danger in attempting to be better.

"Adieu, my dear Doctor; after having delayed so long to write to you, I am afraid I shall get my lug (ear) in my lufe (hand), as we say, for what I have written. But I ever am most affectionately yours,

"ADAM SMITH.[1]

"*London, 20th Sept.* 1774."

This letter was written two years before the publication of the Wealth of Nations, and, being a private communication, not intended ever to see the light, the author has expressed himself in stronger terms than he might have thought suitable in a grave scientific work. But the sentiments in the Wealth of Nations, and in the letter, are identical; and there can be no doubt that Dr. Smith was deliberately of opinion that degrees always have been, and must necessarily continue to be, utterly worthless; or, as he has it, "mere pieces of quackery."

But whether the granting of degrees be advisable or not, there seems little doubt that Dr. Smith is mistaken in supposing that they cannot be made to afford a pretty good security for the science of the candidates, and to some extent also for their good sense. He has shown, indeed, that the way in which they have hitherto been conferred necessarily renders them nearly, if not entirely, worthless. It is idle to suppose that the professors who have educated the candidates for degrees, and who cannot reject them, except in a few rare cases, without prejudicing their own ability as teachers quite as much in the public estimation as the capacity or industry of their pupils, should be very rigid in their examinations. If the professors derive, as is the case in Scotland, the principal part of their emolument from the fees of their pupils, each university must naturally fear, were its examinations really searching and efficient, that its pupils would be tempted to resort to some rival and less scrupulous establishment. They are, consequently, of a very inefficient description; and latterly the object of the universities has apparently been rather to increase the emoluments of the professors by adding to the *curriculum*, that is, by compelling candidates for degrees to attend an increased number of classes, than to improve the lectures or examinations. Where, on the other hand, the incomes of the professors are independent of the fees of the pupils, though they have no pecuniary motive to compel the attendance of the latter, they are anxious, for the sake of their own reputation, to deal gently with such as attend their lectures; and rarely reject them, unless their defects be glaring and obvious. Nothing, in fact, can be a greater abuse than to let such persons have anything to do with the granting of degrees. The teachers of the candidates for academical distinctions are not the parties to judge whether they are really deserved. They are themselves interested in the result of the examination; and it would be as absurd to suppose that they should form an unbiassed judgment, upon the merits of their pupils, as that an architect or a painter, a hatter or a shoemaker, should make a correct estimate of his own works. The business of instructing and of ascertaining whether that instruction be adequate to the end in view, are totally different things; and to combine them in one party is the most likely way to render them both good for little or nothing. The teachers and the pupils would both be anxious to exert themselves were the proficiency of the latter inquired into by independent and competent judges. But when the same individuals are teachers and examiners, they may, having power to inculcate whatever doctrines they please in a great measure neglect their duties, and will be little disposed to deal severely by their pupils, even though the latter should not be very well versed in their favourite theories and dogmas, provided they profess to hold them in due respect.

Nothing, therefore, can be more correct than the estimate formed by Dr. Smith of the value of degrees conferred by teachers, that is, of the value of their estimate of their own handiwork. Such degrees must necessarily be, in general, worse than useless, and are frequently, indeed, coveted merely as convenient cloaks, under which quackery and ignorance may best prey on the public. But it is not of the essence of the thing that degrees should be granted on this absurd principle. Competent judges, unconnected with the business of education, may be found to ascertain the qualifications of the candidates for literary and scientific distinctions; and supposing this to be done, the question as to the value of degrees will be very different.

The recently established university of London is, we believe, the first institution founded in Europe for the examination of the candidates for degrees, whose members have no connection with the education of the aspirants to honours; and if we mistake not its formation will mark the commencement of a new and important æra in the history of

[1] See Dr. Thomson's elaborate and valuable Life of Dr. Cullen, vol. i. pp. 473–481

education. It consists not of a body of professors, but of a board of gentlemen, distinguished by their proficiency in literature, science, and philosophy, appointed by Government for the examination of candidates for degrees. It is, however, in one important respect, improperly constituted. No candidate is allowed to go before the board for examination unless he have been educated at such schools as may from time to time be specified by Her Majesty in Council. This limitation savours too much of the narrow, selfish principles on which universities were originally established. There is no room or ground for thinking that that freedom of competition found to be so advantageous in other things should not be equally so in education. The question should never be, how or where have you been educated, but have you learning and science sufficient to entitle you to the distinction to which you aspire? Provided a physician be thoroughly conversant with the principles and practice of medicine, of what consequence is it whether he have been educated at London or Liverpool, Edinburgh or Exeter, Dublin or Dundee? The limitation in question can have no effect but to establish a monopoly in favour of such establishments as may have sufficient interest with the ministry of the day to be put on the favoured list. It is needless to dwell on the mischievous consequences of such an unfair distinction. All individuals, whether educated at public or private schools, or self-instructed, should be entitled to come before the board. No questions should ever be put to them as to how they came by the required knowledge; but the most efficient means should be adopted to make sure that they possess it. A plan of this sort would introduce a system of unfettered competition into the higher departments of education; and all sorts of artificial distinctions being put an end to, the teachers and the institutions which succeeded best in educating pupils, would, as they ought, enjoy the largest share of the public patronage.

It is said by the advocates of the limitation complained of, that it is impossible by any examination to ascertain the qualifications of a candidate for a degree in medicine or surgery, the professions most concerned in this matter, and that it is necessary in addition to know the way in which they have been educated. But we have been assured by excellent judges that this is an entire misstatement; and it is pretty obvious, on general principles, that such must be the fact. Suppose you know what classes an individual has attended, does that afford any information as to whether he profited by them, or whether the doctrines taught were correct? Even if he bring a certificate of attendance, and another of proficiency, what is their value? Are they not the evidence of interested parties? If these certificates are to be esteemed valid in this case, why should not degrees granted by those granting the certificates be also esteemed valid? And if so where is the use of the new establishment?

There cannot be a doubt that an examination if properly conducted by competent parties, may afford the surest grounds for forming a fair estimate of the acquirements and character of the candidates. And, it is, in fact, the only test that in such matters is worth anything. Certificates and testimonials may be, and are every day obtained, by the most incompetent and unworthy persons. But a frequently resumed, searching, and judicious examination is a test which cannot be shirked, and to which those who are conscious of inability to come out of it with credit will not choose to submit. The acquirements and sagacity of the individual are manifested by such an ordeal; and the ascertainment of these are the only matters as to which the public have the slightest interest.

But supposing education were put on the footing suggested, and that no incompetent person received a degree, still the questions remain,—Why take all this trouble? Would it not be better to abolish degrees altogether, and to leave the public to employ the physicians and lawyers in whom they have confidence, it being abundantly certain, that a regard to their own interest will stimulate such persons to acquire proficiency in their respective professions? Dr. Smith would have answered this question in the affirmative; and in so far as respects lawyers, he would probably have been right, but with respect to medical men the case is different. There is a wide discrepancy between the employments of those who exercise their art on the bodies of men and those who exercise it on some sort of raw or manufactured produce. If an individual employ a tailor to make him a coat, he will not employ him again unless it be made to his mind; nor, though the cloth were spoiled, would the loss be considerable; but if an individual employ a physician, surgeon, or apothecary to prescribe for him, he may, in the event of the person so employed being ignorant of his art, lose his life; while, owing to the difficulty of ascertaining when death is occasioned by the natural progress of disease, or by the unskilfulness of the practitioner, the business of the latter may not be materially diminished; and he may continue for an indefinite period to prosecute his destructive career. It does, therefore, seem quite clear, that government is bound to take such measures as may be effectual to secure adequate skill in medical men; and that no individual should be permitted to practise, whose qualifications have not been ascertained by the examination of a competent board, appointed for that purpose, and pronounced sufficient by their certificate. All individuals, though very many are nowise fitted to judge as to their qualifications, must occasionally resort to medical men; and it is the duty of government to provide that the lives

of its subjects be not sacrificed to ignorance, cupidity, or quackery.

It is not known whether Dr. Cullen replied directly to Dr. Smith's letter; but in a Latin discourse which he pronounced two years afterwards, previously to the ceremony of graduation in the university, he took occasion to notice some of the arguments advanced by Dr. Smith, and to state his own views as to degrees. This part of the discourse has been translated and published by Dr. Thomson; and we believe our readers will be glad to learn the opinions of so eminent a physician as Dr. Cullen on this interesting question.

"As the life and health," says he, "of their fellow creatures are often intrusted to those practising medicine, and depend so much upon their skill, it seems a matter of no small importance for the public interest, that care should be taken to prevent any uneducated or unskilful persons from practising this art. There are some, however, who doubt whether it is necessary for the interests of society, or in any way proper, to make laws or regulations for preventing persons of this description from engaging in the practice of medicine; and it is very obvious, that neither in this nor in most other countries are effectual measures adopted for that purpose. Those who approve of this neglect seem to me to trust to certain principles too generally applied. They, with justice, indeed observe, that many regulations which seem adapted for putting down unskilful workmen have not only been fruitless and useless, but even extremely injurious in their operation. For there is no need, say they, that the skill of a carpenter should be determined by the opinion of other carpenters only, as every one receiving work from a carpenter can judge well enough of its execution, and of the skill of the workman; and certainly, if an opportunity is afforded of comparing the workmanship of several artificers with one another, he who makes this comparison will always be able, with sufficient ease, to determine which is best. An unskilful carpenter, therefore, will be intrusted with work only proportioned to his skill; and if he should, perhaps, pass himself off on some incautious individuals, as a person of skill, no very great nor permanent mischief will result from this. They likewise urge, that many regulations which have been established against the unskilfulness of workmen have not only been little required, but have often been hurtful, by affording a pretext for driving away the most skilful and by favouring those of least merit. What has been said of the carpenter may be said of several other artificers; indeed, of all those whose want of skill is not calculated to do much mischief, and whose degree of skill all are able easily to ascertain. But in the practice of medicine none of these reasons for unfettered competition are of any force. The physician employs remedies, which, unless they be employed cautiously and skilfully, may do much harm; and those ignorant of the art cannot judge of his skill merely by the consideration of the effects that result from the employment of his art. Many diseases being utterly incurable by any art, physicians have a ready excuse when at any time they treat diseases unskilfully; and as death is to all at last inevitable, fate, and not the ignorance of the physician, is generally blamed. Success in the cure of diseases does indeed afford some means of judging of the skill of the physician; but he who knows that many diseases are cured, not only without the aid of the physician, but even in defiance of his measures, will not always regard a return to health as sufficient proof of medical skill.

"Lastly, We contend, that the bulk of the community are scarcely able to judge, and, in fact, scarcely ever judge correctly, of the merits of medical men. Those who are well acquainted with the medical art, and they alone, perhaps, have any proper notion how many things are required to form a skilful physician,—are aware how much experience is necessary for the proper discrimination and accurate distinction of diseases,—with how much labour almost all the works of nature must be examined, in order that the animal economy may be thoroughly understood, by the knowledge of which alone the various characters and modifications of diseases can be understood,—and, lastly, how much labour is necessary to acquire an accurate knowledge, not only of the medicines, but also of all the agents which are capable of acting on the human body, by which kind of knowledge alone we can be enabled to adapt appropriate and efficacious remedies to the various forms of disease. For obtaining a knowledge of all these things, how many branches of information must previously be acquired; how much acuteness of intellect should the student of medicine be possessed of, to prevent him from being deluded by hypothesis; how much sagacity, to prevent him from being the dupe even of experience, which has justly been said to be most deceitful! It would be easy to prove to any one of moderate capacity and attentiveness, that all these things are absolutely necessary for the proper education of a medical man; but the greater part of mankind, either from their ignorance of medicine are unable to understand these things, or from negligence do not choose to understand them; and hence almost all form either no judgment at all on the qualifications necessary for medical men, or an erroneous one. At the present time, we see men of a very dull intellect, and of no learning, received and treated as physicians. Do not we every day observe men not altogether destitute of sense, swallowing the frivolous drugs of some old woman or other, and shamefully deluded by the tricks of quacks and ignorant pretenders? From this circumstance in particular, we may infer how erroneously the public judge of this matter,

that so many persons who have received no education, rashly engage in the practice of medicine, or at least in the administration of drugs. In these countries, indeed, any one can set up for a physician, and nothing is more obvious than that the public are in the use of making scarcely any choice amongst those who profess medicine. The thing has gone so far, that the life and health of a great portion of mankind are in the hands of ignorant people, or of rogues; and to me it appears probable that from the practice of medicine, as it is at present exercised, there arises much more mischief than advantage, and that it would perhaps be better for mankind if no medical practice existed at all. But it is impossible wholly to suppress this art, for as long as men shall be liable to pain and sickness, so long some art of medicine will be required and will exist amongst them. Nothing therefore remains, but that the legislature should take especial care that this necessary art should, as far as possible, be rendered both safe and useful to society. Something seems to have been attempted towards the accomplishment of this object in this and other countries of Europe, by the institution of universities, in which students of medicine may be instructed in medical science, and by the appointment of fit judges to license those who are thoroughly instructed in medicine. The functions of these individuals seem well calculated to promote the object in view. But in some universities, unfortunately, these excellent regulations are ill-observed, and the title of Doctor of Medicine does not always prove that the bearer possesses either learning or skill. This unfortunate abuse cannot in all instances be easily prevented or corrected. But in the meantime, we hope that all are sufficiently aware, that, in this university, the best regulations are faithfully observed, and that the title of Doctor acquired here, more certainly than in several other universities, proves its possessor to be both learned and skilful."

With the exception, perhaps, of the allusion in the end to the university of which the speaker was so great an ornament, this reasoning seems quite conclusive, and it is to be hoped that the principles laid down by Dr. Cullen may be carried to their full extent, by prohibiting all individuals from practising as physicians, surgeons, or apothecaries, who have not a degree and licence after examination by a public board.[1]

NOTE XXIII.

SCOTCH SYSTEM OF PAROCHIAL EDUCATION.

So early as the reign of James IV. the legislature of Scotland began to evince a laudable anxiety about the education of youth. It was enacted in 1494, that all barons and substantial freeholders throughout the realm should send their children to school from the age of *six* to *nine* years, and then to other seminaries, to be instructed in the laws, that the country might be possessed of persons properly qualified to discharge the duties of sheriffs, and to fill other civil offices. Those who neglected to comply with the provisions of this statute were subjected to a penalty of 20*l.* Scotch; and it has been remarked, that soon after the passing of this Act, several individuals began to be distinguished for their classical acquirements, and that learning was more generally diffused throughout the country.

In 1615, an act of the privy council of Scotland empowered the bishops, along with a majority of the landlords or heritors, to establish a school in every parish in their respective dioceses, and to assess the lands for that purpose. This act was confirmed by an act of the Scotch parliament in 1633; and under its authority schools were established in the lower and more cultivated districts of the country. But the system was still far from being complete; and the means of obtaining elementary instruction continued so very deficient, that it became necessary to make a more complete and certain provision for its supply. This was done in 1696, when an act was passed for the establishment of a school in every parish, providing at the same time that the landlords should build a school-house, and a dwelling-house for the use of the master, and that they should pay him a salary which should not fall short of 5*l.* 11*s.* 1*d.* a year, nor exceed 11*l.* 2*s.* 2*d.* The power of nominating and appointing the schoolmaster was vested in the landlords and the minister of the parish; who were farther vested with the privilege of fixing the fees to be paid him by the scholars. The general supervision of the schools was entrusted to the presbyteries of the districts in which they were situated; and to them also was assigned the power of censuring, suspending, and depriving the masters, without their sentence being subject to the review of any other tribunal.

It has been usually expected that a Scotch parish schoolmaster, besides being of unexceptionable character, should be able to instruct his pupils in the reading of English, the arts of writing and arithmetic, and the more useful branches of practical mathematics, and be possessed of such classical attainments as might qualify him for teaching Latin, and the rudiments of Greek. The General Assembly of the Church of Scotland recommended, in 1706, "to such as have the power of settling schoolmasters in parishes, to prefer those who have passed their course at colleges or universities, and taken their degrees, before others who have not, *cæteris paribus*." And every one knows that this recommendation has been attended to; and that many parish schoolmasters

[1] Thomson's Cullen, vol. i. p. 482.

have had the advantage of an university education.

It may, perhaps, excite surprise that any tolerably well educated person should think of becoming a candidate for a situation, the emoluments of which are so trifling as those of a parish schoolmaster. But for a long time after the passing of the act of 1696, a salary of 11*l.* a year, exclusive of a house and garden, was, in Scotland, no inconsiderable object; and, added to the school fees, served to place the master nearly on a level with the bulk of the respectable inhabitants of country parishes. Subsequently, however, to the introduction of manufactures and commerce, and to the improved and vastly more expensive mode of living to which they gave rise, the comparative situation of the schoolmasters was changed very much for the worse, and their character, as a body, was a good deal deteriorated. Their depressed condition at length attracted the attention of government; and in 1803 an act was passed, which raised the maximum statutory salary payable to the masters to 22*l.* 4*s.* 5*d.*, and the minimum to 16*l.* 13*s.* 4*d.*, ex. school fees, providing, at the same time, for varying these salaries every 25 years, according to the average price of grain, so that the maximum was eventually raised to 34*l.* 4*s.* 4½*d.*, and the minimum to 25*l.* 13*s.* 3¾*d.* But this was a very inadequate augmentation, and liable to be reduced by a fall in the price of grain; and the expense of housekeeping having increased greatly in the interval, the salaries of the schoolmasters were farther raised in 1861, by the act 24 & 25 Vict. cap. 107., the minimum rate to 35*l.*, and the maximum to 70*l.*, a year, ex. fees and houses.

It has, however, been doubted whether this increase will be enough to secure a supply of sufficiently qualified teachers; and we incline to think that the minimum salary should have been raised to 50*l.* But this part of the subject is beset with difficulties. It must be borne in mind that the object of the fixed salary payable by the landlords is not to render the master independent on the fees of his scholars, or to furnish him with the greater part of his subsistence, but to serve as a species of retaining fee or premium, to secure the constant attendance of a person able to instruct the young, and influenced, by the strongest motives, to perfect himself in his business, and to attract the greatest number of scholars to his school. If the master derived anything like a tolerably comfortable income from his fixed salary, he would not have the same motives to exert himself as at present; and like other functionaries, placed in similar situations, he would soon learn to neglect his business, and to consider it as a drudgery to be avoided.

For in addition to the salaries paid by the heritors and the fees of the pupils, some of the wealthy parish schools are very much in point of emolument superior to many of the incumbencies in the country. They have been endowed by grants from the privy council on the English plan. Although doubts have been entertained with respect to their influence, it is believed to have been generally beneficial.

It has been enacted by the statute referred to above (24 & 25 Vict. c. 107.) that all individuals appointed in future as schoolmasters shall be examined by examiners appointed for that purpose by the different university courts. The examiners are to publish instructions, from time to time, in regard to the subjects on which candidates are to be examined, the time and manner of examination, &c. This, no doubt, will be a great improvement compared with the former plan of selecting schoolmasters by the heritors and presbyteries.

It is, however, believed that in so far as respects the qualifications of schoolmasters, their principal deficiencies consist not so much in a want of knowledge as in a want of acquaintance with the best methods of teaching. The reign of terror used to be maintained in the greater number of Scotch schools; but the masters are now generally supposed to incline to the other extreme. It is to be regretted that no public provision has hitherto been made in the view of training the masters in the most efficient plans for the instruction of others. Their possession of the knowledge required in their profession is not enough; it is farther indispensable that they should know how that knowledge may be best communicated to others. And we are glad to have to state that the normal schools established by the privy council grants in some of the principal towns, have done a good deal to supply an acquaintance with the most approved methods of teaching, and have thus contributed to lessen recourse to the severer systems of discipline.

A great many complaints have latterly been made with regard to the backward state of education in the Scotch parochial schools. But though in some respects these complaints have been well founded, they have been, for the most part, destitute of any good foundation. The parochial schools are not establishments where any considerable progress is to be made in a classical or superior course of education. They are essentially schools for the lower and middle classes, especially the former. And if they impart to those by whom they are attended really good elementary instruction in English reading and grammar, in writing, and in arithmetic, they have done all that is essential. They may give instruction in the rudiments of Latin, Greek, and mathematics; but beyond this they should not be called upon to go. Care must be taken in improving the parochial schools that we do not render their education for those for whom they are really intended. This would be a perversion of their institution. Those who desire to have their sons qualified for the learned professions or for entering a higher class in the universities should send them to the higher class of grammar schools. The parochial

chial schools, properly so called, are not intended for such pupils. They are for the use of the million; and we wilfully neglect their real and truly important object, if we seek to make them places for the training of those who have other and better means of instruction at their command.

The organization of a proper system of inspection would probably do the most that can be done for the improvement of the Scottish, or indeed of any description of schools. The existing system of inspection is very limited in its application, being restricted to schools assisted by the privy council, and in these notice of the examination must be previously given. But the true plan would be to authorize properly qualified inspectors, paid by government, to visit all sorts of schools without exception, and without any previous intimation, and to inquire into and report upon the state of the schools, including the subjects taught, the proficiency of the pupils, &c. And were such reports published, without any sort of revision or abridgment, in the newspapers belonging to the towns or districts in which the schools are situated, we should have the best possible security for the efficiency of the schoolmasters and of the examiners. No solid objection can be made to the establishment of such a system. It would cost but little, and it would powerfully contribute to obviate the defects and to add to the value of the parochial system.

Supposing the number of parochial schoolmasters to be 900, and their statutory salaries 50*l.* each at an average, it will follow that the cost of this efficient establishment, ex. houses, gardens, and fees, does not exceed 45,000*l.* a year.

It would be useless to attempt giving, in a work of this sort, any account of the system now existing in England for the education of the lower classes. It is very expensive, is extremely complicated, and is altogether in a most unsatisfactory condition. It requires to be, and, no doubt, it will be, entirely remodelled. But the difficulties arising from the religious prejudices of the great bodies into which the population is divided, oppose the most formidable obstacles to the establishment of any comprehensive and really liberal system.

NOTE XXIV.

POOR LAWS—POLICY, AND PROBABLE OPERATION OF THE POOR LAW AMENDMENT ACT. —SCOTCH ACT.

It is unnecessary on this occasion to enter into any lengthened discussions with *respect to the expediency* of a compulsory provision for the support of the poor. Every one admits that the really necessitous poor should be provided for one way or another, and not be *allowed* to die in the streets; but it is pretty clear that a public duty of this sort should be performed equally by all classes, in proportion to their means; for were it otherwise, the burden of providing for the poor would fall wholly on the humane and charitably disposed portion of society, who should only be called upon to bear their own fair share of its pressure. It is obvious, too, that where the poor are not provided for by a compulsory rate, they must be permitted to beg or to solicit alms from the charitable and affluent. But it is needless to dwell on the mischievous consequences resulting from the practice of mendicancy. Wherever it has prevailed, these have been found to be so intolerable as to compel recourse to various means, some of them of a very oppressive description, for its suppression. These, however, have all necessarily failed, unless when provision was made, whether by a compulsory assessment or otherwise, for the support of the really indigent poor. It would be abhorrent to all the feelings of humanity to allow paupers to suffer the extreme of want; but unless some fund be provided for their subsistence, or they be allowed to beg, how can they escape being starved outright?

The compulsory provision for the poor of England grew out of the impotent attempts made in the reigns of Henry VIII., Edward VI., and the earlier part of that of Elizabeth, to suppress mendicancy, and at the same time to provide for the poor by voluntary contributions. At length, the earlier statutes on the subject were consolidated, and the principle of compulsory provision carried to the fullest extent by the famous 43 Eliz. cap. 2., which enacted that all maimed and impotent persons should be provided for at the expense of their respective parishes, and that employment should be found for the unemployed able-bodied poor. From this remote period, the law of England has regarded every parish in the light of a family, the richer members of which were bound to provide for those who, through inability, misfortune, or the want of work, could not provide for themselves. This, also, is the principle embodied in the law of Scotland with respect to the poor; and provided the means for carrying it into effect be so contrived that indigence and suffering may be relieved without, at the same time, encouraging indolence and vice, the system would seem to be quite unexceptionable. Practically, however, this has been found to be a problem of exceedingly difficult solution, and not a few have concluded that, however administered, all systematic attempts to relieve the poor are necessarily, in the end, productive of increased want and misery.

But how difficult, soever, it would seem, as *well from the nature of the thing*, as from the experience of Scotland and some

other countries, that poverty may be relieved without lessening industry and frugality. Those who contend that this last is the necessary effect of every compulsory system for the relief of the poor, take a one-sided view of the question, and look only to the operation of the system on the poorest classes. It is plain, however, that there are two parties interested in all questions of this sort—the payers and the receivers of rates—and that no sound conclusion can be come to with respect to the influence of a compulsory provision, without looking at the way in which it affects the former class as well as the latter. If the object of the one party be, speaking generally, to raise the rates to a high level, and to eat the bread of idleness, that of the other is to keep the rates as low as possible, and to refuse relief to all but the really necessitous; and it not unfrequently happens that the latter is the more powerful of the two.

The capital defect of the English legislation in reference to the poor has been, that it has not established any proper tribunal or board in parishes for the administration of matters respecting the poor, and that it has allowed infinitely too much power to justices of the peace. Had a body been established in every country parish, consisting principally of the chief landlords and occupiers of land; and had their decisions on all matters touching the poor, been reviewable only by the Court of King's Bench, we are bold to say that the abuses of the poor laws would never have been heard of.

Though most improperly limited and interfered with by the powers unwisely conceded to the justices, the interest that the landlords and occupiers of the soil had in keeping the rates low, and in hindering the too rapid increase of the labouring population, has had a very powerful influence. The landlords and farmers saw that if by the erection of cottages, the splitting of farms, or otherwise the population upon their estates and farms was augmented, they would, through the operation of the poor laws, be burdened with the support of all who, from old age, sickness, want of employment, or any other cause, might become, at any future period, unable to provide for themselves. The wish to avoid incurring such an indefinite responsibility, not only rendered landlords and farmers exceedingly cautious about admitting new settlers upon their estates and farms, but stimulated them to take vigorous measures for the diminution of the population, wherever the demand for labour was not pretty brisk and constant. It is to the operation of this principle that the complicated system of laws with respect to settlements owes its origin, and until relaxed, it opposed a formidable barrier to the increase of the agricultural population. There is, indeed, great reason to doubt whether the purely agricultural population of England was not rather diminished than increased in the interval between the Revolution and 1770; and it is to the operation of the poor laws more, perhaps, than to anything else, that we find so few small occupancies in England, and that this country has been saved from that excessive subdivision of the land, that has been and is the curse of Ireland. If, indeed, we reflect upon the high rents that cottagers will offer for slips of land, and that the law of England, by granting the elective franchise to all persons possessed of a cottage and a piece of land, valued at forty shillings a year, gave a very strong stimulus to the increase of cottages, we must be satisfied that it required some powerful countervailing principle to render their multiplication so inconsiderable. Political influence is as dear to an English, as an Irish gentleman; but the former, had he manufactured voters by the hundred or the thousand would have made himself directly responsible for their maintenance; and he has been consequently determined by a motive which had no influence over the latter, to abstain from so ruinous a practice. Most landlords early saw the consequences that would infallibly result unless they adopted the necessary precautions, from their being bound to provide for all who, through misfortune, misconduct, or profligacy, could not provide for themselves; and since they could not subvert the principle of the compulsory system, they exerted themselves to counteract it in practice, by adopting every possible device for checking the undue increase of population, and by administering relief in such a mode as might prevent any but the really indigent from having recourse to it.

The truth is, that down to 1795, the universal complaint was, not that the poor laws had increased population and lowered wages, but that they had diminished it and raised wages. A host of authorities, some of which are referred to below[1], might be quoted in proof of this statement, and explanatory of the means by which so singular a result was brought about; but the following passage from Mr. Young's "Farmer's Letters," will probably be deemed sufficient:—

"The law of settlement," says Mr. Young, "is attended with nearly as many ill consequences as that of maintenance. I have said enough to prove of how great importance our labouring poor are to the public welfare; the strength of the state lies in their numbers, but the prodigious restrictions thrown on their settlements tend strongly to prevent an increase. One great inducement to marriage is the finding, without difficulty, a comfortable habitation; and another, nearly as material, when such requisite is found, to

[1] Britannia Languens, or a Discourse of Trade, &c., p. 155, Lond. 1680; Alcock's Observations on the Effects of the Poor Laws, pp. 19, 20, Lond. 1752; Dr. Burn's History of the Poor Laws, p. 111, Lond. 1764; Mr. Young's work, quoted in the text; Brown's Agricultural Survey of the West Riding of Yorkshire, p. 13, Lond. 1793, &c.; Debates in the House of Commons, 28th of April 1773.

be able to exercise in it whatever business a man has been educated to, or brought up in. The first of these points is no easy matter to be accomplished; for it is too much the interest of a parish, both landlords and tenants, to decrease the cottages in it, and, above all, to prevent their increase, so that, in process of time, habitations are extremely difficult to be procured. There is no parish but had much rather that its young labourers would continue single: in that state, they are not in danger of becoming chargeable, but when married the case alters; all obstructions are, therefore, thrown in the way of their marrying, and none more immediately than that of rendering it as difficult as possible for the men, when married, to procure a house to live in; and this conduct is found so conducive to easing the rates, that it universally gives rise to an open war against cottages. How often do gentlemen, who have possessions in a parish, when cottages come to sale, purchase them, and immediately rase them to the foundation, that they may never become the nests, as they are called, of beggars' brats! by which means their tenants are not so burdened in their rates, and their farms let better; for the rates are considered as much by tenants as the rent. In this manner, cottages are the perpetual objects of jealousy, the young inhabitants are prevented from marrying, and population is obstructed."[1]

It may perhaps be said, that had the poor laws never existed—had the poor not been tempted to place a deceitful trust in parish assistance—their natural sagacity would have led them to act with prudence and consideration, and prevented their being multiplied beyond the demand. That this would have been, in some measure, the case, is true; but considering the state of depression in which the poor have usually been involved, and their total ignorance of the most efficient causes of poverty, there are but slender grounds for thinking that this influence would have been very sensibly felt. A man must be in tolerably comfortable circumstances before he is at all likely to be much influenced by prospective considerations. It is the pressure of actual, not the fear of future want, that is the great incentive to the industry of the poor. Those who have speculated with respect to the operation of the poor laws on the prudential virtues, have usually belonged to the upper classes, and have supposed that the lower classes were actuated by the same motives as those with whom they associate. But the circumstances under which these classes are placed are so very different, as to render it exceedingly difficult to draw any accurate conclusion as to the conduct of the one, in respect of such matters, from observations made upon the conduct of the other. A man who is comfortable in his circumstances, must, in order not to lose caste, and to secure a continuance of the advantages he enjoys, exercise a certain degree of prudence; but those who possess few comforts, who are near the verge of human society, and have but little to lose, do not act under any such serious responsibility. A want of caution, and a recklessness of consequences, are in their case productive of comparatively little injury, and are less guarded against. The most comprehensive experience proves that this is the case. The lower we descend in the scale of society, the less consideration and forethought do we find to prevail. When we either compare the different classes of the same country, or of different countries, we invariably find that poverty is never so little dreaded as by those who are most likely to become its victims. The nearer they approach to it the less is it feared by them. And that generally numerous class who are already so low that they can fall no lower, scruple not to plunge into excesses that would be shunned by others, and often indulge in gratifications productive of the most injurious consequences.

Among the devices which have been fallen upon for relieving the able-bodied poor without encouraging sloth, the institution of workhouses seems to be one of the most effectual. The strict discipline and constant labour enforced in all well-conducted workhouses, and the moderate diet of their inmates, make them objects of disgust and aversion to the idle and disorderly; and many persons who would be eager to obtain assistance from the public, could it be procured at their own houses, would reject it if coupled with the condition of residence in a workhouse.

In 1723 the workhouse system was placed on an improved footing, and received a great extension by the act 9 Geo. I. cap. 7., which enabled parishes to unite for building workhouses, and conferred on them the important privilege, if they saw cause, of refusing relief except in a workhouse. This formed the principal bulwark, during the next half century, against the progress of pauperism. Sir F. M. Eden states that on workhouses being erected after the passing of this act, great numbers of persons who had previously received pensions from parishes preferred depending upon their own exertions rather than take up their abode in them; and he farther states that the aversion of the poor to these establishments was so great, that some whose humanity seems to have exceeded their good sense, proposed, by way of weakening this feeling, "to call workhouses by some softer and more inoffensive name."[1]

A still more distinguished, though not a better authority, Lord Mansfield, expressed himself as follows respecting workhouses in a case that came before him in 1782:—"If well regulated, workhouses are a most desirable mode of relief; they supply comfort

[1] "Farmer's Letters to the People of England," 3d ed., vol. i. pp. 300—302.

[1] State of the Poor, vol i. p. 285.

and accommodation for those who cannot work, and employment for those who can. In many instances which have chanced to fall within my knowledge, particularly in the Midland circuit, they have reduced the annual amount of the poor rates a half."

It may be inferred, from the statements of contemporary writers, that the poor's rates amounted to about a million at the commencement of last century.[1] In 1776 they amounted, according to the official returns, to 1,720,316*l.*, and at an average of the years 1783-4 and 1785, being those immediately subsequent to the American war, they amounted to 2,167,748*l.* This, when we consider the rise in the price of food, the great increase of population, and the distressed situation of the country at the termination of a disastrous contest, if it be really an increase, is certainly a very small one, and shows that the checks that had grown out of the system were sufficient effectually to hinder the growth of pauperism.

During the period between the termination of the American war and the commencement of the late French war, the rates were again considerably reduced. In 1782, however, the principle of the system under which these advantageous results had been obtained was subverted by the passing of Gilbert's act, 22 Geo. III. cap. 83., so called from the name of its author. This act repealed the salutary and powerful check imposed by the statute of 1723, on the perversion of the rates to the encouragement of idleness and imposture, in the option given to parishes of refusing relief except in a workhouse; and enacted that no able-bodied pauper should be obliged to resort to these establishments, but that work should be provided for them at or near their own houses! This throwing down of the principal barrier that had hitherto prevented the spread of factitious pauperism could not have failed, under any circumstances, to be in the end productive of the most mischievous results; but its injurious operation was accelerated by accidental circumstances, and the folly of the magistrates.

The price of corn, which had, at a medium of the three preceding years averaged 54*s.*, rose in 1795 to 75*s.* As wages continued stationary at their former elevation, the distress of the poor was very great, and many able-bodied labourers, who had rarely before applied for parish assistance, became claimants for relief. But, instead of meeting this emergency as it should have been met, by temporary expedients, and by grants of relief proportioned to the exigency of any given case, one uniform system was adopted. The magistrates of Berks, and some other southern counties, issued tables, showing the wages which, as they affirmed, every labouring man should receive, according to the variations in the number of his family, and the price of bread; and they accompanied these tables with an order, directing the parish officers to make up the deficit to the labourer, in the event of the wages paid him by his employers falling short of the tabular allowance!

As might have been expected, this system did not cease with the temporary circumstances which gave it birth, but continued to be acted upon down to the passing of the Poor Law Amendment Act. It was in fact almost universally established in the southern half of England, in large districts of which there were no longer any independent labourers to be found; and produced an extent of artificial pauperism and moral degradation that could hardly have been conceived possible.

It was obviously necessary that a vigorous effort should be made for the eradication of so baneful a system; and those who have attended to the previous statements will, perhaps, be inclined to think that this might have been most easily and naturally effected by reverting to the fundamental principles of the poor laws. We have already seen that the law of England regards all parishes as families bound respectively to provide for their own poor. Now all that was necessary to obviate the abuses complained of, was to assimilate the administration of the poor laws, as well as their principle, as nearly as circumstances would admit, to that of families. Those on whom the burden of providing for the poor principally fell, and who had, therefore, a direct tangible interest in the prevention of all abuse, should have had the sole management—along with the clergyman of the parish, if there were one—of their affairs; and their decisions should not, as already stated, have been reviewable except by the highest judicial tribunals. But the English system was the reverse of all this. There was no selection of individuals in parishes to whom either the affairs of the poor, or any other matter of public importance, could be safely committed. All the inhabitants, or at least all the householders, were entitled to appear at parish meetings; and the vote of an individual barely above the condition of a pauper, and expecting, perhaps, to be very speedily enrolled in that class, was held to be equivalent to the vote of the principal landholder or manufacturer in the parish! It is not, therefore, to be regretted, as being the least of two evils, that the overseers of the poor, to whom were entrusted all the details with respect to their management and the imposition and collection of the rates, instead of being appointed by a parish meeting, should have been selected by two justices of the peace! But it might happen, and, in point of fact, frequently did happen, that these justices having themselves little or no interest in the economical administration of the parish funds, appointed persons to the important situation of overseer who were not suffi-

[1] Sir F. M. Eden on the State of the Poor, vol. i. p. 1.

ciently careful in the selection of the objects of charity, and in the prevention of fraud and imposition. Supposing, however, that the overseers had been inclined faithfully to do their duty, and to reject all doubtful claims for relief, they could not, after the passing of Gilbert's act, order able-bodied paupers whom they might suspect of counterfeiting poverty, to be sent to a workhouse; their decisions were also every now and then overturned by the justices, who, at all times, had great power, and could latterly order relief to any individuals, and to any amount they pleased!

Such being the system under which the poor laws of England were managed, the wonder is not that abuses crept into their administration, but that they did not attain to a baleful maturity at an earlier period; and that the efforts of the landlords and occupiers, supported by the 9 Geo. I. cap. 7., to preserve their estates from oppressive rates, were able to countervail to the extent that they did, the noxious influence of the system.

The necessity of effecting some change in the constitution of parish meetings or vestries, the clamour and disorder incident to which frequently prevented their being attended by people of property, had long forced itself on the attention of every one at all acquainted with such subjects. In populous parishes it had, indeed, been usual to appoint *select vestries*, that is, committees chosen by the inhabitants assembled in a general vestry, on whom were devolved various duties with respect to the poor. In some instances these select vestries had become self-elected; and a great number were appointed under local acts. In 1818 the act 58 Geo. III. cap. 69., introduced the sound principle of allowing rate-payers to vote in the election of guardians of the poor in some proportion to their property, giving a vote for every £5*l.* of the annual value of the property assessed, until the number of votes amounted to six—the most one individual could exercise. But it seems difficult to see on what ground this limitation was made; and the act was defective in another material respect, inasmuch as it gave the votes, not to the owner of the property, but to the occupier, who might, perhaps, hold it only from year to year, and could not have the same interest in repressing abuse, and keeping the rates low as the proprietor.

But notwithstanding the signal improvements effected in particular parishes and districts by the establishment of select vestries and an improved method of managing the affairs of the poor, these were but very partially introduced, and the greatest abuses continued to prevail in most parts of the kingdom, particularly, as already stated, in the southern counties. Under these circumstances government became impressed with a conviction of the urgent necessity of introducing vigorous measures to avert the further progress of the evil; and with this view a commission was appointed in *order* to collect evidence as to the influence and operation of the poor laws, and to suggest measures for their amendment.

This commission having collected a vast mass of evidence, drew up an able and comprehensive report, which paved the way for the introduction of the Poor Law Amendment Act, the most important statute in regard to the poor that has been passed since the reign of Queen Elizabeth. It has effected a total change in the mode of relieving the poor. Parishes or unions of parishes are no longer intrusted with the administration of relief, but are controlled and directed by a central board of three commissioners, resident in London, who are empowered to decide as to the kind and amount of relief to be given to the poor; to issue rules and regulations with respect to their government which all inferior officiers are bound to obey; to determine as to the erection and government of workhouses, and the education of parish children; to unite several parishes into unions for the economical administration of the law, &c. Boards of guardians are chosen in the different unions for superintending the workhouses and administering relief; the members being selected on the sound principle of giving a preponderating influence in their choice to those whose property is most likely to be affected by the assessment for the poor. Justices of the peace have no power to interfere with the rules laid down by the central board, or with the conduct of the guardians or officers acting under its orders.

Such, in a few words, are the leading features of the Poor Law Amendment Act. It was a measure of a bold and decided character; and we need not wonder that the changes it has been the means of introducing should have occasioned a great deal of dissatisfaction, and that very conflicting opinions should be entertained with respect to it. But though much of the clamour raised against this law has been most unfounded, and though some important practical reforms have been effected through its instrumentality, still we cannot help thinking that it is a measure of very questionable policy. That a great and radical change was necessary in the administration of the poor laws, no one doubts; but it seems pretty evident that it might and should have been accomplished by establishing properly constituted vestries, or other parochial bodies, to which to commit the management of the poor, and by putting an end to all interference on the part of the justices. The radical defect of the poor laws has been that their administration was not vested exclusively or principally in those on whom the burden of the rates really fall; but that it was conceded to justices, or rate-payers who might be, and in fact, generally were occupiers only and not owners. Had the latter had the entire administration of the law, no abuse of any considerable magnitude could have crept into it, or, at all event it

could not have long escaped detection. To suppose that it should be otherwise, is to suppose what is contradictory and absurd: it is equivalent to supposing that the self-interest of the parties is not, of all means that can be devised, the most likely to secure vigilance and to prevent abuse. Landlords and people of property in England have made extraordinary efforts to keep down the rates on their estates, and to prevent the splitting of farms, and the building of cottages. That they did not attend parish meetings is no proof of their inattention to their interests; but of the vicious constitution of these bodies, where the vote of any individual though steeped in poverty, provided he were a rate-payer, countervailed that of the proprietor of the entire parish! The remedy for the abuses of the poor laws was extremely simple, and, one should think, obvious. Reform or, if necessary, suppress vestries—give property its proper influence—take from justices all power to interfere in the concerns of the poor, and leave the rest to the self-interest of the parties. This system has been found to be completely successful in Scotland, and there is no room or ground for thinking that it would be less so in England. In Scotland the affairs of the poor have been managed by the heritors (proprietors), and kirk sessions. The latter, to which the administrative details have always been confided, consist of the ministers and elders of the different parishes; the elders uniformly almost comprising some of the leading proprietors and most respectable inhabitants. The decisions of the heritors and kirk sessions have not been interfered with by justices, nor even by sheriffs, and have been reviewable only by the Court of Session, which is very chary of interference.[1] In consequence of this arrangement the most vigilant economy has prevailed in all that relates to the treatment of the poor; and while real want has been very sparingly relieved, no encouragement has been afforded to sloth, imposture, or misconduct. But had parish meetings and justices of the peace had the same influence in Scotland that they have had in England, does any one suppose that the principle of compulsory provision would not have been as much abused there as here? It is not owing to any superior discernment or "hard heartedness" on the part of the Scotch, but to the different mode in which relief has been administered, that the abuses so prevalent on one side the Tweed are unknown on the other. Hence, though the reason of the thing had not been sufficient to prove that the committing the administration of the poor laws to a properly constituted parochial body, would suffice to eradicate every abuse, the example of Scotland should have been held as decisive. And truly it is not a little singular, that in the teeth alike of the most obvious principles, and the most conclusive experience parliament should have supposed that a system that had answered so well in one end of the island was quite unsuitable for the other; and that stipendiary officers would be more likely to keep the rates low, or, which is the same thing, to take better care of the estates and properties of the gentlemen of England than they could do themselves! This was carrying the rage for interference to an extent which Dr. Smith would not have believed possible.

It is said that without the establishment of a superintending board the same system could not have been introduced for the management of the poor into all parts of the country. But suppose there had been a dozen or fifty different systems in use in different parts of the country, where would have been the loss or inconvenience? Perfect uniformity of plan in a matter of this sort is unattainable, and would be absurd were it attained. Why should the paupers of Penzance and Morpeth be treated in the same way? or those of country parishes like those of the metropolis? It would be quite as judicious to establish a board to compel all the labouring classes to feed and clothe themselves after the same model, as it is to compel parishes and unions to follow the same plan in the management of the poor. In such matters, people on the spot, acquainted with the peculiar circumstances of the case, and interested (as all properly constituted parochial bodies would be) in the economical administration of the parish affairs, will always be incomparably better judges of the best way of maintaining and employing the poor than persons resident at a distance. The pretension of the central board in London to regulate the diet and employment of the poor in Cornwall, Northumberland, and Lancashire, better than the respectable classes in those parts, throws into the shade all the pretensions so justly contemned by Dr. Smith of the founders and supporters of the mercantile system.

The central board act on the principle of refusing relief in ordinary cases to able-bodied labourers, unless in a workhouse; and as a general rule we should think this the best that could be laid down. But on such a subject general rules are good for little or nothing. The judicious treatment of the poor in one parish and in one season of the year, might be absurd in another parish and at another season; and it should, also, vary with the varying demand for labour, the variations in the cost of food, and a thousand other circumstances liable to perpetual fluctuation. Parishes and unions might and should have been reinvested with the privileges they enjoyed under the 9 Geo. I. cap. 7., of refusing relief to any one claiming it, except under condition of his accepting it in a workhouse; leaving it to the local authorities acquainted with each particular case to determine when the condition should be enforced. A regulation of this sort was formerly and would have been

[1] For some remarks on this system see *post*.

again perfectly sufficient for the prevention of abuse. A severe frost throws large numbers of people out of employment; and those who have large families may, in such a case, be compelled to solicit aid from the parish. To say to an industrious workman in such a situation that he shall not be relieved unless he resort to a workhouse, is to add insult to misfortune, and can have no effect except to make the law odious, and to embroil the different orders of society. It is quite proper that all idle and disorderly persons should be compelled, before being relieved, to go to a workhouse; but to enforce this rule in cases like that now supposed, and in thousands of others that will readily suggest themselves, is to burlesque alike principle and common sense

It has been said, that it would have been difficult in all cases, and in not a few impracticable, to have found persons capable of forming a vestry or parish board to which the administration of the affairs of the poor might have been safely confided. But no such difficulty has hitherto been experienced in Scotland, and it is not very easy to believe that what is never seen in Dumfrieshire or Berwickshire, should meet us at every turn in Cumberland and Northumberland. Provided those who are to administer the rates be those on whom, in the end, they are sure principally to fall, nothing more is required to insure their judicious management. Most persons become extremely considerate, and little inclined to be lavish and absurd, when they have to put their hands into their own pockets. We have not yet heard of any Scotch gentleman ruining himself by excess of charity to the poor; and we believe that this species of extravagance is about as rare in England. It is not at all necessary that an administrator of the poor's funds should be versed in the theories of Malthus, or that he should have read one per cent. of the interminable volumes published by the poor law commissioners. It is enough that he knows he is bound to relieve real want with his own money, or that of his employer. His native sagacity will instruct him in his other duties. Where are the funds for the support of the poor better administered than in Scotland? and how many of the thousands engaged in their administration ever heard of the workhouse being a "test of destitution," or of the jargon fashionable among those who speak and write on this subject?

It is believed that some of the leading members of the commission of inquiry were in favour of a project for abolishing, in so far at least as the poor are concerned, parochial divisions, and raising the funds for their support by a tax levied from the country at large; and the reports and statements they put forth, as well as those that have emanated from the present commissioners and their organs, have dwelt strongly on the advantages of large administrative divisions in matters relating to the poor. But though we do not presume to say, that some of the existing parishes may not be too small for the right administration of the poor laws, or that they might not be advantageously united with others, we do not believe that this is very generally the case; and on the whole, small seem decidedly preferable to large divisions. It is essential to the right working of the poor laws, that their administrators should be intimately acquainted with the condition and history of all parties claiming relief; and the smaller the divisions, the more likely is this to be the case, and the more will every increase of the rates be likely to attract the notice of those concerned, and make them inquire whether it be indispensable. Had the project for supporting the poor by a general tax been adopted, each individual conscious of the impotency of his own efforts to reduce the amount of national poverty, would have thought as little of its reduction as of that of the national debt; and, in consequence, abuses of every sort would have prevailed. It is only by bringing the burden home, as it were, to the door of individuals, and making them feel that unless it be confined within the narrowest possible limits, it will make a serious inroad on their estates and properties, that a compulsory provision has been, or can be, kept from degenerating into an incentive to sloth; and it is plain that this principle will operate more effectually in a moderate sized parish than in a union; and in the latter than in the kingdom at large, where, indeed, it would not operate at all. We are supported in this view of the matter not merely by the most obvious principles, but by the authority of the ablest philosophers. "It would," says Mr. Ricardo, "be not only no improvement, but it would be an aggravation of the distress which we wish to see removed, if the fund for the support of the poor were levied, according to some late proposals, as a general fund from the country at large. The present mode of its collection and application has tended to mitigate its pernicious effect. Each parish raises a separate fund for the support of its own poor. Hence it becomes an object of more interest and more practicability to keep the rates low, than if one general fund were raised for the relief of the poor of the whole kingdom. A parish is much more interested in an economical collection of the rates, and a sparing distribution of relief, when the whole saving will be for its own benefit, than if hundreds of other parishes were to partake of it."[1]

It is proper that such small parishes as do not of themselves require an entire workhouse, should, provided they think fit, be allowed to unite with others to erect one for their common use; and this they were authorised to do by the 9 Geo. I. cap. 7. Many parishes did associate under the sanction of

[1] Principles of Political Economy and Taxation, 1st ed. p. 113.

this statute, and built workhouses in common; and it would have been advisable that every necessary facility should have been given for the formation of such voluntary unions. But the poor law amendment proceeds on the principle that individuals have ceased to know where the shoe pinches; that the country gentlemen and farmers of England are unable to decide whether a union with another parish for the erection of a workhouse would be advantageous or not; and that this knowledge, and every other sort of knowledge touching the concerns of the poor, is monopolised by the central board at Somerset House!

It is said that very great reforms have been effected under the new act, much greater than it is probable would have been effected had the plan of reform suggested above been adopted. This is, perhaps, true; but whether it be so or not is of very little importance. Sudden changes in the public economy of a great nation are almost universally to be deprecated; and those are commonly most beneficial that are slowly introduced without giving any violent shock to existing habits and prejudices. Believing with Dr. Smith that individuals may always be safely left to pursue their own interest in their own way, we should have been little disposed, had the levy and the disposal of the rates and every thing relating to the management of the poor been committed to the landlords and principal occupiers, to find fault with their conduct; and should have been disposed to conclude, had they tolerated an abuse longer than seemed necessary, that, being the greatest losers by its existence they had very good reasons for their forbearance. Sanguine innovators are always anxious to have their schemes enforced by the power of government; but the prudent statesman is satisfied if his projects of reform harmonise with the interests of any great class, and be intrusted to it to be carried into execution. The former usually become objects of disgust and aversion, while the latter make their way slowly and surely, and are, in the end, brought into complete operation.

The influence of the Poor Law Amendment Act, in a political point of view, seems to be of the most unfavourable description. Formerly the poor of England were split into as many distinct divisions as there were parishes in the kingdom. In regard to all matters relating to the poor, each parish was a separate and independent community, so that if the poor in any particular parish believed themselves to be aggrieved, it was their own affair; it interested no one else; and they were left to settle it as they best could with their own parochial authorities. But now the case is altogether different. Local divisions have been substantially obliterated; the poor have been reduced into one huge mass; and are treated on a uniform plan digested by the central board, and approved by the Secretary of State. Whatever, therefore, may in future concern the poor of one district, must equally concern those of every other district. Government has made itself their dry nurse and foster-mother; it is responsible for every real or fancied abuse that may anywhere exist in their treatment; and it must stoop to interfere in every workhouse squabble. It is not easy to exaggerate the mischievous consequences of such a state of things. Certainly, however, it required no peculiar sagacity to foresee what the experience of the last half dozen years has sufficiently established, that no government would willingly encounter the widespread unpopularity that must be the consequence of its invariably opposing the pretensions of the pauper-class, and that the severity of the law would be gradually weakened. Its eulogists were absurd enough to talk, on its being introduced, of its extirpating pauperism. But we may be pretty well assured that the poor will never cease out of the land; and the fair presumption is, that the existing law will, in the end, increase the rates in no ordinary degree. Suppose we were visited with a season like 1799 or 1800, or that prices were as high, and manufactures as depressed as in 1812, and reflect what a state we should be in under the present law! It may answer tolerably well with low prices, and a brisk demand for labour. But how is government to deal with a million of paupers in a year of scarcity, all ascribing their misery to its regulations, and charging it with inhumanity and everything most hostile to the sympathies and feelings of the public? It is idle to depend on the middle and wealthier classes for support in an emergency of this sort. The Poor Law Amendment Act was, no doubt, passed mainly in the view of promoting their interests; but the chances are that they will gradually become more and more disgusted with it. Few men like to be treated as simpletons incapable of managing their own affairs; yet this is the precise point of view in which the Poor Law Amendment Act regards the landlords and the respectable classes. It proceeds on the principle that they are incapable of doing that which every kirk session in Scotland is admitted to have done admirably well. Even the boards of guardians it has created have no real power, and are, in fact, mere tools employed to carry into effect the orders of the central board. We do not think so ill of the people of England as to suppose that a law founded on such false and insulting assumptions can be permanently popular with any considerable class of persons.

The large majorities which supported the Poor Law Amendment Act in parliament, prove, it has been said, that its provisions were well considered and judicious! Such majorities form, however, but a slender presumption in favour of the policy of any measure. The collective wisdom of the nation has always had a marvellous sympathy with its collective folly. There is hardly, in fact, any nostrum so pernicious, or delusion so preposterous as not to have met with the approval of parliament. Take an instance

in our own times—that of the sinking fund. To attempt to pay off debt by borrowing money is now admitted on all hands to be a contradiction and an absurdity; and yet the sinking fund was maintained for more than twenty years on this so-called principle; and during this lengthened period every public man, of every political party, was eulogising this wretched juggle, and both houses of parliament passed laws, without so much as a dissentient voice, to secure its inviolability! Whether a change of opinion similar to what has taken place respecting the sinking fund will take place respecting the Poor Law Amendment Act, remains to be seen. But public opinion, how wrong soever in its first estimate of a measure, gets generally sound in the end. And if we be right in considering the measure as founded on entirely false principles, and as being pregnant with the most mischievous consequences, we may anticipate that its fate will not differ materially from that of the sinking fund.

We have allowed this note to stand precisely as it did in 1838, our opinion of the impolicy of the new poor law not being in any degree modified. The attempt that was made, at the outset of the new system, to confine the relief of the poor to those who chose to accept it in a workhouse, has been for a lengthened period wholly abandoned. It was impossible, indeed, that it could be persisted in; and yet it was the only security that the new system presented against the indefinite increase of pauperism. To show how completely the so much vaunted principle of making the workhouse a test of destitution, has been trodden under foot, it is enough to mention that 1,035,109 persons were relieved by means of the poor rates in England and Wales in the first week of April 1863, of whom 134,152 were relieved in workhouses, and 900,957 at their own homes! And we venture to say, had the poor laws been amended on the principles and in the manner explained in this note, that neither the number nor the cost of the persons relieved would have been two-thirds what we find it to be.

The too liberal allowances made to the poor were, as we have seen, the grand source of the complaints made against the old English poor laws. In Scotland, on the contrary, the main objection to the poor laws was, not that they gave the poor too much, but that they gave them too little; that they carried economy to an extreme; and that, in numerous instances, the poor were subjected to privations and sufferings disgraceful to a civilised country. This state of things was a consequence of the nearly absolute power with which the landords and kirk sessions were vested in regard to the subsistence and treatment of the poor, who had no appeal from their decisions except to the Court of Session. The abuses to which this system necessarily led having attracted a good deal of attention, and been strongly animadverted upon, it was felt to be indispensable that it should be modified, so far, at least, as to protect the poor against the exaggerated economy of the parochial authorities. And this necessary reform might have been effected without touching any of the fundamental or distinctive principles of the system, by merely giving the poor a right of appeal from the decrees of the kirk session to the sheriffs. This, however, was not done, but the precedent set by the English Poor Law Amendment Act, though little worthy of that distinction, was so far imitated, that a central board for the supervision of matters connected with the poor, was established at Edinburgh, by the stat. 8 and 9 Vict. c. 83. It is directed by this statute, that all complaints made by the poor of the proceedings of kirk sessions, shall be referred, in the first instance, to this board; and its approval is necessary to enable an appeal to be made from the decision of a kirk session to the Court of Session. But though this sort of intermediate check tends to quash improper claims, they would have been as likely to have been quashed had an appeal been allowed to the sheriffs; and while the decisions of the latter would have been more easily obtained, there are no grounds for thinking that they would have had less weight than those of the central board, or that they would have been more frequently appealed against.

The central board is authorized to inquire into the condition and management of the poor in all boroughs and parishes, to order returns from them, to make suggestions in regard to the management of the poor, &c. But in the event of these suggestions not being adopted, it has no power to carry its recommendations into effect. Although, however, this inquiry and the publicity to which it has led, have obviated sundry abuses, the general opinion seems to be that this advantage might have been realised by other and less expensive means; and that the abolition of the central board would be a beneficial measure, provided a power of appeal to the sheriffs were at the same time given to the poor.

NOTE XXV.

COLONIAL POLICY.

The Monopoly of the Colony Trade does not augment the Rate of Profit—Effects of the Monopoly, and of the Forced Submission of Colonies able and willing to govern themselves—Policy of Emancipating our Colonies—Causes of the usually rapid growth of Colonies—Impolicy of exacting a High Price for unoccupied Colonial Lands—Population, Trade, &c. of our Colonies.

The policy of the restrictions which Great Britain and other nations have imposed on the trade of their colonies has been so fully and ably examined by Dr. Smith, that it would have been unnecessary to add another word on the subject, but for the effect which he ascribes to the monopoly in elevating the rate of profit. He supposed that the monopoly increased the field for the employment of capital; and as he supposed that the rate of

profit depended on the extent of the demand for capital, compared with its amount, he naturally concluded that it increased the rate of profit. But it is not difficult to see that this is an error. The *rate* of profit is not, as already seen, dependent on the magnitude of the field for the employment of capital; but on the productiveness of industry at the time. Profits consist of the excess, or of the value of the excess, of the products obtained by an outlay of capital and labour, after the capital and the value of the labour have been replaced. It is, therefore, plain that their relation to capital, or the rate of profit, cannot be affected by the mere extension of the field for the employment of capital, how great soever that extension may be.

But it is said that the monopoly of the colony trade renders the field for the employment of capital more productive as well as more extensive. According to the theory of Smith, when new and unusually advantageous channels of foreign commerce are discovered, the merchants who first engage in them realise larger profits than ordinary, and these larger profits tempt capitalists to withdraw their stocks from less lucrative employments, so that the supply of commodities produced for the home market is diminished; which, as the demand continues the same, necessarily occasions a general rise of prices and profits. Mr. Ricardo has, however, shown the fallacy of this statement. A certain amount of national revenue has been expended on foreign commodities; and, after new channels of commerce are opened, whether by means of a monopoly or otherwise, the same, a greater, or a less amount of such revenue will continue to be so expended. If, in the *first* place, the same amount of revenue continue to be laid out on foreign commodities, there will be the same amount of revenue to lay out on articles produced at home, and no change will be occasioned. If, in the *second* place, a greater amount of revenue be laid out on foreign articles; then, as there must be a proportionally less demand for articles produced at home, a corresponding portion of the capital and labour previously employed in producing commodities for the home market will be set free, and will henceforth be employed in the production of the commodities sent abroad to pay the greater amount of goods imported; and thus it appears, inasmuch as every increased demand for foreign produce necessarily brings along with it the means of procuring the augmented supply without requiring any additional capital, that neither prices nor profits would be affected by such an increase; and if, in the *third* and last place, owing to the greater cheapness of foreign products, a less amount of the revenue of the consumers should be devoted to their purchase, a less amount of capital would be required to produce the articles exported to pay for them; and the capital thus set free would suffice to produce the increased supply of native commodities, on which the revenue saved in the purchase of those brought from abroad will, in future, be expended. It consequently follows that in every case—whether the same, a greater, or a less proportion of the national revenue be laid out on foreign commodities—the discovery or formation of new channels of commerce cannot have any effect on the rate of profit.[1]

It is true, indeed, that if by means of foreign commerce we obtain corn, or any other article which enters into the consumption of the labourer, cheaper than it can be produced at home, it will most probably, in the end, lower wages and raise profits. It is obvious, however, that this result could not be brought about by the monopoly of the supply of all the colonies and countries in the world. It does not depend on exportation, but on importation—on liberty being granted to import corn from those who can furnish it at the lowest price, whether colonists or foreigners.

A country which founds a colony on the liberal principle of allowing it to trade freely with all the world, necessarily possesses considerable advantages in its markets from identity of language, religion, customs, &c. These are natural and legitimate sources of preference, of which it cannot be deprived; and these, combined with equal or greater cheapness of the products suitable for the colonists, will give its merchants the complete command of the colonial markets. But all attempts at forcing a trade with colonies are sure to be pernicious alike to them and to the mother countries; and make that intercourse a source of poverty and ill-will, which, if let alone, would either be voluntarily given up, or be a source of reciprocal advantage.

The trade with Canada may be referred to in proof of what has now been stated. It employed a large number of ships and seamen, and seemed, to a superficial observer, to be highly valuable. In truth and reality, however, it was very much the reverse. A half or more of this trade was forced and factitious, having originated in the excess of duty which was formerly charged on Baltic and other foreign timber, over and above the duty charged on timber from British North America. This higher duty on foreign timber tempted the merchants to resort to Canada, New Brunswick, &c., whence they imported an inferior article at a higher price. The disadvantages of this system are numerous and glaring. To a manufacturing country, having a great mercantile and warlike navy, timber is indispensable; and yet, instead of supplying ourselves with it where it might be found best and cheapest, we loaded the superior and cheaper article with an exorbitant duty, and did the most we could to make our houses and ships be built, and our machinery constructed, of what was inferior and dear! But the mischief did not stop here. By refusing to import the timber of the north of Europe, we proportionally limited the power of the Russians, Prussians, Swedes, and Norwegians, to buy our manufactured goods; while, by forcing the importation of

[1] Ricardo's Principles of Political Economy, p. 149. 1st ed.

timber from Canada, we withdrew the attention of its inhabitants from the most profitable employment they could carry on, that is, from the cultivation of the soil, and made them waste their energies in comparatively disadvantageous pursuits. Happily this preposterous system has been abandoned. But such, either in a less or greater degree, is the uniform result of all attempts to interfere with the natural order of things, and to force a trade—whether with a colony or a foreign country, matters not—that would not otherwise be carried on.

When a nation derives the whole or any considerable portion of an important article from abroad, it is necessarily exposed, especially if the supply come from only one foreign country, or but a few, to the risk of more or less inconvenience, from any interruption of the friendly intercourse subsisting with it or them. When such important articles are furnished by a colony, their supply is said to be comparatively secure; and in such cases, colonial possessions are held to be of more than ordinary value.

The cessation of the supplies of cotton from the United States has been quoted as a case in point; and it has been affirmed that it would not have occurred had they been derived from one of our colonial possessions. But the disruption of the American union, and the ferocious contest by which it has been followed, are events that were far more unlikely than a colonial revolt. The truth is that the continued dependence of none save small and unimportant colonies can be safely reckoned upon. All great colonies, in all ages of the world, have sooner or later shaken off their dependence on their mother countries. It is an event that is sure to take place. And hence all great branches of industry, that depend for their successful prosecution on supplies of the raw material brought from a foreign or dependent country, must necessarily be in a precarious position. It is little to say that the growth of such exotic businesses should not be encouraged. True policy would suggest, in the event of their appearing to make any extraordinary progress, that they should be discouraged. Nothing can be more injurious, more adverse, indeed, to the real and lasting interests of any great nation, than to have any considerable portion of its population dependent on the friendship or policy of colonists or foreigners. When security and high profits cannot be combined, it is best to accept the former without the latter. And hence the policy of checking, by duties or otherwise, any great extension of a business that might involve perilous results. If it be said that this would be interfering with the freedom of industry, we answer that that freedom is not in itself either good or bad. Its influence over the wellbeing of the community is the only thing to be attended to; and it is found, in the great majority of instances, to promote that desirable end. Sometimes, however, it is otherwise. And when such cases occur it is the duty of government to make their policy square with the wider needs, by limiting that freedom which might, if unrestrained, be eventually injurious.

It was long supposed that our colonies in the West Indies were peculiarly valuable from their furnishing us with a secure and abundant supply of sugar, an article that has become a necessary of life, and yields a very large revenue. We doubt, however, whether there were ever any good foundation for such an opinion; but, whatever may have been the case formerly, there is none now. Sugar is not produced in one or a few countries only, but is a staple product of almost all intertropical regions; and it is now largely produced even in the northern parts of Europe. So far, indeed, is it from being true that we are indebted to our West Indian colonies for large supplies of sugar, that of 9,180,980 cwt. retained for home consumption in 1861, the West Indies supplied only 3,695,149 cwt. The residue was supplied by the Mauritius and India, and by Cuba, Java, the Philippine Islands, and other foreign dependencies. So vast is the field, whence supplies of sugar are now derived, that the total cessation of those from the West Indies would have but little effect upon the market.

It must not, however, be supposed, from any thing now stated, that the foundation of colonies is to be considered as inexpedient On the contrary, colonies have been, in their consequences, highly advantageous to this, as they have been to most old settled countries in all ages. It is not to their establishment, provided they be placed in proper situations and properly managed, that objection should be made, but to the needless interference with their internal and foreign policy, the trammels imposed on their industry, the prevention of their free intercourse with other people, and the attempt to govern them after they are able and anxious to govern themselves. A nation that founds a colony in an unoccupied territory, or in a territory occupied only by savages, makes it subservient to the benevolent purposes for which it was destined by Providence, and extends the empire of civilization to, it may be, an indefinite extent. In proof of this, we need only refer to the discovery and colonization of America. When first visited by Columbus, the far greater portion of that immense continent was occupied by the scanty population of savage tribes, ignorant of almost every useful art, making war on each other with a deadly and implacable ferocity, subsisting only on the precarious produce of the chase, and often involved in the most dreadful privations. Even in Mexico and Peru, where some advances had been made, the state of the people was abject in the extreme. But now, where little more than two centuries ago a few half-starved hunters were the only inhabitants, cities are built, filled with an intelligent, a refined, and a wealthy population. Agriculture and its subsidiary arts have been widely diffused over what were then primeval forests; and rivers that were crossed only by some wandering savage in his rude canoe, are crowded with

ships laden with the produce of every country and of every climate. And, besides the direct gain to humanity by the introduction of religion, literature, science, and arts into the vast wilderness of America, her settlement has, at the same time, conferred incalculable advantages on Europe, and especially on England, —by the infinite variety of new and desirable products she has supplied to stimulate and reward the industry and invention of our manufacturers and merchants; and by the all but unlimited field she has afforded for the employment of the idle, the discontented, and the rejected population of the old world. To these America has truly been "a city of refuge." The hosts of paupers and of outcasts who have fled or been driven to her shores, have mostly risen from poverty to affluence, and have become industrious and deserving citizens of flourishing communities. But how great soever the advantages resulting to England and the world from the genius of Columbus, and the perseverance and enterprise of the founders of the American colonies, these advantages would have been still greater but for the impolitic restraints laid on them by the parent states. The colonies of Great Britain, though fettered in various ways, enjoyed a much greater degree of freedom than those of other nations, and hence their rapid progress in wealth and civilization, both before and since the American war. The colonies of Spain, on the other hand, though planted in the finest provinces, were so trammelled and oppressed by the blind jealousy of the mother country, that the superior advantages of their situation have been more than neutralized. Their government was entirely administered by natives of Old Spain; the colonists were carefully excluded from every office of power and emolument; one colony was prohibited from trading with another; and had foreigners presumed to settle amongst them, they would have been liable to capital punishment! In consequence, their progress was, in all respects, comparatively slow; and when at length they succeeded in throwing off the galling yoke of the mother country, they became, and have continued, from their inexperience in self-government, a prey to all sorts of disorders. It is questionable, indeed, whether her American colonies were of any substantial service to Old Spain; and it is, at all events, certain that they have not conferred either on her or on others, a fiftieth part of the benefit they would have done had they been treated with more liberality, and permitted freely to avail themselves of the various advantages of their situation.

The American war seems to have decided, in as far as experience can decide any thing, the question in regard to the policy of retaining colonies in a state of dependency that are determined to govern themselves. No colonies were ever considered half so valuable as those which lately formed the republic of the United States; and it was generally supposed that their emancipation would be decisive of the fate of England, that the sun of her glory would then set, and for ever! But have we really lost any thing by that event? Has our trade, our wealth, or our power, been in any degree impaired by the independence of the United States? The reverse is distinctly the case. The notion that we could have continued for any length of time to retain such rapidly growing communities in a state of unwilling dependence, or that we could have been advantageously united in a federal union with vast regions situated in another hemisphere, is too wild and extravagant to require examination. But notwithstanding their independence, we have continued, and will continue in time to come, to reap all the advantage we can reasonably claim as the founders of this great empire. Englishmen will always command a preference in the American markets. And while we are disencumbered of the impossible task and enormous expense attending the government and defence of all but boundless territories 3000 miles distant, our intercourse with them grows with their growth; and we are as much benefited and enriched by them as we should have been had they continued in the same state of dependence as Malta or the Cape of Good Hope.

The colonization of Australia will contribute in no ordinary degree to extend the blessings of civilization. This newly occupied quarter of the globe, the native inhabitants of which were still fewer in number and more barbarous than those of America, is already the seat of flourishing communities: and while they preserve the language and literature, it is to be hoped they may also pursue the mild, liberal, and tolerant policy of the people from whom it should be their proudest boast to have descended.

Nothing, therefore, can be a greater error than to suppose that we are indebted for any considerable portion of our commerce to the extent of our colonial possessions. Now that the restrictions on the colonial trade have been abandoned, our intercourse with the colonies is carried on for the same reason as our intercourse with foreign states, or, because it is found to be for the advantage of both parties. And it would not be less advantageous were the colonies to become independent. If, indeed, as is perhaps most likely, their independence should tend to promote their industry and wealth, it would equally tend to enlarge their means of carrying on that commerce of which we should always have a principal share.

A colony may be advantageous, and may contribute to increase the wealth of the mother country, by yielding a greater revenue than is required for its government and defence; but this is rarely the case. Most colonies require a heavy outlay on their first foundation; and when they attain to any considerable importance all attempts to make them directly contribute to the income of the mother country are sure to excite discontent, and probably even rebellion. An unfortunate attempt of this sort led to the American war. And to obviate all chances of any such disastrous event occurring from such cause

in future, we have distinctly renounced all pretensions to make our colonies contribute anything unless it be towards the expense of their local government and militia.

In consequence of this arrangement the United Kingdom has hitherto had to furnish the troops required for the defence and security of all our colonies, and to defray the heavy expense resulting therefrom. And though an expenditure of this sort may be really advantageous when it is incurred in founding a colony, or in garrisoning a stronghold like Malta or Gibraltar, it is difficult to discover its policy when it is incurred for the behoof of colonies from which we derive no peculiar benefit, and which are, also, fully able to defend themselves.

The sacrifice which this system involves even in ordinary years is much greater than is generally supposed. In 1858, for example, we employed in our colonies exclusive of India, the Mediterranean stations, and Hong Kong, no fewer than 26,542 men, at an expense to the imperial treasury of 1,681,060*l.*, to which have to be added considerable sums incurred on other accounts. And owing to the events that have since taken place in America, we have had to make large additions to the troops in Canada at a corresponding increase of cost.

It should not be forgotten, in estimating the advantages and disadvantages resulting from the possession of colonies in different and distant parts of the world, that the pretensions of the colonists, and the protection of their real or fancied interests, not unfrequently engages the mother country in disputes with foreign powers. And in the event of a war breaking out, whether from these or other sources, the defence of the colonies may become a very serious matter. It cannot fail to absorb a very considerable portion of that force which may, perhaps, be wholly required for the defence of the United Kingdom; at the same time that the colonies offer a number of points, some of which may be peculiarly exposed to the attacks of an enemy, and may not be defensible except at a heavy cost, and great risk. Speaking generally, it is bad policy for a nation to disperse its forces over a wide surface. This dispersion proved fatal to us in the American war. And what has happened once may happen again, without the results being of so innocuous a character as those which followed that contest.

If these remarks be well founded, there can be little doubt that it would be good policy to contract the limits of our colonial empire by gradually emancipating some of our principal colonies. At present they are far too widely extended. And while their undue expansion occasions a heavy expense, and multiplies the chances and the risks of war, it adds nothing to the strength, or even glory of the empire. Our superior wealth and power are derived from wholly different sources—from the physical and moral advantages that have made the United Kingdom the head quarters, as it were, of freedom, civilization, and manufacturing industry. And while we possess these we need not fear we shall be injuriously affected by lessening the number of our colonial dependencies. It is seldom, indeed, that the god Terminus is brought nearer home except by force.

"Jovi ipsi regi noluit concedere."

But it is not, perhaps, unreasonable to expect that considerations of expediency should eventually obtain something like their due weight in such matters. The true way to secure our influence and preponderance among the nations of the world is to consolidate our empire and husband our resources.

If a policy of this sort were adopted, we should, to use the words of Adam Smith, "be immediately freed from the whole annual expense of the peace establishment of the (emancipated) colonies, and might settle with them such treaties of commerce as might effectually secure a free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly we now (1776) enjoy. By thus parting good friends, the natural affection of the colonies to the mother country, which, perhaps, our late dissensions have well nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and instead of turbulent and factious subjects, to become our most faithful, affectionate, and generous allies; and the same sort of parental affection on the one side, and filial respect on the other, might revive between Great Britain and her colonies, which used to subsist between those of ancient Greece and the mother cities from which they descended." (*Ante*, p. 278.)

This sound advice was unhappily disregarded. We embarked in that contest which ended in the independence of the United States. But it, at the same time, laid the foundation of those hostile feelings which have continued down to the present hour to affect the relations between the two countries. It will redound but little to our credit if we do not profit by so great and conclusive an experiment.

These principles apply with peculiar force to our connexion with Canada. It is difficult to imagine a less serviceable colony. Our ascendancy in it at this moment, though little, if at all, better than nominal, depends wholly on the presence of a large military force maintained at the cost of this country. And we doubt whether it possess a single article that might not be more cheaply and profitably imported from elsewhere. If it were said that Canada and our other North American possessions cost Great Britain, directly and indirectly, 2,000,000*l.* a year, over and above every countervailing advantage, the statement would not be beyond, but within the mark. And yet so little

are the opinions of nations swayed in these matters by sound political considerations, that we much fear the vast majority of the British people would not hesitate about engaging in a war of which neither the extent nor the termination could be foreseen, rather than relinquish the nominal sovereignty we now hold over Canada!

We are ready, in a season of tranquillity, to eulogise the sagacity of Smith and Tucker,[1] and to express regret that their plans had not been carried into effect at the commencement of the American war. But the moment anything occurs to give us an opportunity of bringing our theory into practice, we are apt to reject it as visionary and inapplicable to the existing state of things. We then think only of the dignity of the crown and the integrity of the empire; and would rather expend millions of money, and thousands upon thousands of lives, than voluntarily abandon what is confessedly worthless!

According as more enlarged and sounder views of the real value of colonies have been diffused, the relations between them and the mother countries have been gradually changed. Intelligent people have been long convinced of the impolicy of attempting to direct the internal affairs of distant communities placed under very different circumstances to their own, and such interference is no longer attempted. In the English colonies these matters are now left to be decided upon by their different councils and assemblies. These bodies, which correspond in some degree to the lords and commons of this country, consist, the first, of members that are usually in part nominated by the crown, and in part elected; and the second of members elected by the colonists, mostly, we regret to say, under such an extended system of suffrage that the powers of government are mainly vested in the hands of the lowest and least intelligent classes. Wherever a body of this sort is established, it constitutes, with the governor, the parliament of the colony, and to it all matters of local interest, including the imposition of taxes, are committed. A power is, however, reserved to the crown of disallowing such acts of any colonial assembly as might encroach on its just prerogatives, or be prejudicial to the interests of the empire at large. Appeals from the colonial courts are made to the court of the privy council; and all matters in regard to the contracting of treaties and alliances, the naturalization of aliens, naval and military regulations, and the making of peace or war, are vested exclusively in the crown. But with these exceptions all British colonies having legislative assemblies may be said to be in most respects entirely self-governed. "If," says Mr. Mills in his valuable work on colonial constitutions, "the experience of the past has not enabled us to anticipate all the details of future difficulties, it has at all events furnished irresistible evidence of the instability of those principles of colonial policy which were once deemed to be the pillars of our national greatness. To retain for the longest possible period, at the smallest possible cost, with the greatest possible advantage to ourselves a permanent dominion over the dependencies of our empire, was once the problem which occupied the minds of British statesmen. To ripen those communities to the earliest possible maturity—social, political, and commercial—to qualify them, by all the appliances within the reach of a parent state, for present self-government and eventual independence, is now the universally admitted object and aim of our colonial policy" (p. 69).

But we will not certainly qualify our colonies to act as independent states, if we continue, as hitherto, to defray the cost of their defence. No state or people can be independent which is not willing to provide at its own cost for the maintenance of its independence. It might be inexpedient suddenly to withdraw our troops from the colonies; but intimation should be made to them that they will be gradually diminished; and that, in the end, they will be entirely withdrawn, unless they consent to bear the whole, or a large portion, of their expense.

And independent of the questions connected with their defence, our relations with the colonies, notwithstanding the liberal footing on which they have been placed, may easily lead, and in fact do often lead, to unpleasant complications. The connexion we now have with them is, in truth, not very intelligible. It is one of *quasi* dependence on their side, and of superiority, protection, and tutelage on ours. And that is a sort of connexion which there is but little likelihood will continue for any very lengthened period between distant and considerable communities without their getting into a state of disagreement or war. The truth is, that in this matter we have done either too much or too little. If we could not, as was the case, retain the power of legislating for the colonies in our own hands, we should have concerted measures for gradually relinquishing all authority over them, and establishing their independence. The sort of control that we have over their proceedings is a contradiction and an absurdity. We have divested ourselves of all substantial power, and have retained little more than a nominal, and therefore a useless, but yet offensive superiority. Such a system is efficient only for mischief, involving us in heavy expenses, and producing nothing save irritation and disgust on the part of the colonists. Mr. Goldwin Smith has clearly pointed out this consequence. "This (continual irritation) is," says he, "the fault of neither party. It is the fault of the utterly irrational and untenable system by which nations with parliaments of their own are treated as provinces to be

[1] Dean of Bristol, and author of several valuable political and commercial tracts, in some of which he strenuously recommended the abandoning of all attempts to retain by force the government of the American colonies.

governed and defended by another country. To give a nation a parliament of its own is to give it independence. Two parliaments under the same crown never have produced, and never can produce anything but clashing of interests, contradictions of policy, discord, and confusion, and at last angry separation, the grave of that glory which belongs to England, the mother of nations. When we have given people free institutions we have decided that they are to govern themselves. Let us then accept the consequences of our own decision. Let us accept it quickly, or we shall imperil the highest prize ever placed within the reach of any nation."—(The Empire, p. 155.)

Mr. Smith carries his views so far as to argue in favour of our giving up Gibraltar to Spain, and perhaps he would abandon Malta That, however, would be rushing blindfold from one extreme to another. Neither Gibraltar nor Malta can be called a colony. They are strongholds, or fortified stations, which we retain for the convenience of our fleets. And if we are ordinarily wise we shall retain them so long as the maintenance of our naval superiority is necessary for the protection of our trade, and the security of the United Kingdom.

A principal advantage of extensive colonial dominions consists, as already seen, in the ample field which they afford for the settlement of the surplus or unemployed population of the mother countries. In this respect our colonies, from the great variety of their climate, soil, and products, enjoy every advantage; and the industrious emigrant, who might be unable to maintain himself at home, or be a burden on the parish or his friends, may attain to independence in British North America, the Cape, or Australia. The United States also present great attractions to emigrants from this country, resulting in part from the common origin of the people, the identity of their language, and their free system of government; and in part, also, or perhaps principally, from the greater facility with which tracts of unoccupied land may be acquired in them. The latter, however, is not a natural advantage on the side of the Americans, but is wholly a consequence of regulations which we have enacted, and of which the impolicy will be immediately shown.

Account of the Emigration from the United Kingdom during the Forty-seven Years from 1815 to 1861 inclusive, specifying the Countries to which the Emigrants have gone, and the Numbers that sailed for each Country.

Years.	North American Colonies.	United States.	Australia and N. Zealand.	All other Places.	Total.	Years.	North American Colonies.	United States.	Australia and N. Zealand.	All other Places.	Total.
1815	680	1,209		192	2,081	1840	32,293	40,642	15,850	1,958	90,743
1816	3,370	9,022		118	12,510	1841	38,164	45,017	32,625	2,786	118,592
1817	9,797	10,280		557	20,634	1842	54,123	63,852	8,534	1,835	128,344
1818	15,136	12,429		222	27,787	1843	23,518	28,335	3,478	1,881	57,212
1819	23,534	10,674		579	34,787	1844	22,924	43,660	2,229	1,873	70,686
1820	17,921	6,745		1,063	25,729	1845	31,803	58,538	4,830	2,330	93,501
1821	12,655	4,958		384	18,297	1846	43,439	82,239	2,347	1,826	129,851
1822	16,018	4,137		270	20,429	1847	109,680	142,154	4,949	1,487	258,270
1823	11,355	5,032		163	16,550	1848	31,065	188,233	23,004	4,887	248,089
1824	8,774	5,152		99	14,025	1849	41,367	219,450	32,191	6,190	299,198
1825	8,741	5,551	485	114	14,891	1850	32,961	223,078	16,037	8,773	280,849
1826	12,818	7,093	903	110	20,900	1851	42,605	267,357	21,539	4,472	335,973
1827	12,648	14,526	715	114	28,003	1852	32,873	244,281	87,851	3,719	368,724
1828	12,084	12,817	1,056	135	26,092	1853	34,522	230,885	61,401	3,129	329,937
1829	15,307	15,678	2,016	197	31,198	1854	43,761	193,065	83,237	3,366	323,429
1830	30,574	24,887	1,242	204	56,907	1855	17,066	103,414	52,300	3,118	176,807
1831	58,067	23,418	1,561	114	83,160	1856	16,678	111,857	44,584	3,765	176,554
1832	66,339	32,872	3,733	196	103,140	1857	21,001	126,905	61,248	3,721	212,875
1833	28,808	29,109	4,093	517	62,527	1858	9,704	59,716	39,295	5,257	113,972
1834	40,060	33,074	2,800	288	76,222	1859	6,689	70,303	31,013	12,427	120,432
1835	15,573	26,720	1,860	325	44,478	1860	9,786	87,500	24,302	6,881	128,469
1836	34,226	37,774	3,124	293	75,417	1861	12,707	40,704	23,738	5,561	91,770
1837	29,884	36,770	5,054	326	72,034						
1838	4,577	14,332	14,021	292	33,222						
1839	12,058	33,536	15,788	227	62,207	Total	1,209,228	3,097,970	781,963	98,070	5,137,837

Average Annual Emigration from the U. Kingdom { From 1815 to 1861 - - - 100,815 / For the 10 Years ending 1861 - 204,300

The explanation which Dr. Smith has given of the causes of the rapid growth and prosperity of colonies founded in advantageous situations, though impugned by Sismondi[1] and others, seems to be consistent alike with principle and historical evidence. When a colony is founded in an uninhabited or but thinly peopled district, each colonist gets a large extent of the best land; he has no rent, and but few, if any, taxes to pay; and being able to procure supplies of manufactured articles from the mother country, or

[1] Etudes sur l'Economie Politique, ii. cap. Colonies.

one equally advanced, he applies all his energies to agriculture, which, under the circumstances, is most productive. The demand for labour in such colonies is very great; for the high rate of wages, combined with the cheapness of the land, speedily change the labourers into landlords, who in their turn become the employers of fresh labourers. In consequence, population and wealth advance with unusual rapidity; and in some instances, as in that of the United States, they have continued, for a lengthened period, to go on doubling their numbers every twenty or five and twenty years!

But in stating that the facility of obtaining supplies of fertile and unoccupied land was the principal cause of the rapid progress of new colonies, Smith did not mean to say that it was the only cause. An advantageous situation for the prosecution of commercial pursuits, and great superiority in navigation, may enable a colony to advance at its outset, though without any considerable extent of territory, with even more rapidity than if it had enjoyed an unlimited command of fertile land. This seems to have been the principal cause of the speedy extension of the Greek colonies alluded to by Smith. The most famous of these, as Syracuse and Agrigentum in Sicily, Tarentum and Locri in Italy, and Ephesus and Miletus[1] in Asia Minor, were amongst the principal emporiums of the ancient world. They were all seaport towns —were founded in the most advantageous situations for carrying on an extensive commerce, and owed, in fact, their wealth and greatness mainly to trade and navigation. Owing, however, to the limited extent of their territorial acquisitions, a consequence partly of the difficulty of subduing the indigenous population, and partly of the neighbourhood of other colonies founded by rival states, their power rested on no very broad or solid foundation; so that the fall of the capital city and the annihilation of the state were all but synonymous.[2]

The colonies founded in modern times have been placed under very different circumstances. The countries in which they were planted were either so very thinly inhabited as to be almost deserts, or they were occupied by a feeble and inferior race unable to oppose any effectual obstacle to the diffusion of the colonists; so that the latter easily spread themselves over a large extent of country, and have had in general more of an agricultural than of a commercial character. But while this has given them greater strength, it has not, after the difficulties attendant on their first establishment were got over, in any degree impeded their progress, but the contrary. The most flourishing of the colonies of antiquity will not bear to be compared in respect of rapidity of growth, magnitude and power, with the United States; and the slower progress of the Spanish and Portuguese colonies is not owing to the colonists having distributed themselves over a wide extent of country, but to the interference of the mother country with their domestic arrangements, and the vexatious restrictions laid on their intercourse with foreigners.

A very great degree of equality prevailed among the free settlers in the Greek colonies; and in consequence the lands acquired by the colonists were distributed amongst them in nearly equal portions. But in modern times it is very different. Owing to the vast extent and almost desert state of the countries in which they have been principally planted, the poorest individuals have generally succeeded in acquiring slips of land; while the superior class of colonists or others who had influence with the colonial government, or with that of the mother country, frequently succeeded in getting grants of vast tracts of land, not in the view of cultivating, but of holding them till, in consequence of the increase of population in the vicinity, they had acquired a considerable value. These large reserves, by interrupting the communications between different parts of the colony, and increasing the difficulty and cost of conveyance, have frequently proved not a little injurious to its interests. But there are various ways in which an abuse of this sort might be obviated; and, perhaps, the best would be to apportion the land according to the available capital of the settlers, it being stipulated that no individual should receive above a certain number of acres, and that it should revert back to the public unless certain improvements were effected upon it within a specified time after the grant was made.

But not satisfied with attempting to put down an abuse of this sort, we have been told that all the difficulties incident to colonization have originated in the too great dispersion of the colonists, and that to obviate them, and to insure to all new colonies the acme of prosperity, we have merely to compel the colonists to keep close together by exacting a high price for the surrounding waste or unoccupied land, that is, by making the colony as like an old settled country as possible! But for the fact of its having been adopted into our colonial policy, such a crude project would not have been worthy of notice. If, on the one hand, the price set on the waste land be inconsiderable, it does not prevent the purchase of large tracts of land on speculation, and the entailing on the colony all the disadvantages that have resulted from the making of injudicious grants; and if, on the other hand, the price demanded for the land be too high, it opposes a formidable obstacle to the progress of the colony. Rich men do not leave their native country to expose themselves to the inconveniences and hardships attending the establishment of new settlements in the wilderness. This, if it be

[1] Miletus founded an immense number of colonies on the shores of the Euxine, and had a very extensive commerce.

[2] See the excellent chapter in Heeren's Ancient History, on the Greek Colonies; St. Croix de l'Etat et du sort des Anciennes Colonies, &c.

done at all, must be done in time to come as in time past by individuals in straitened circumstances, and anxious to improve their fortunes. But to exact a high or full price for land from such persons must, by sweeping away the whole or a considerable portion of their capital, deprive them of the means of clearing and cultivating the land, and proportionally retard their progress and that of the colony. The plan of letting lands by fine is admitted by every one who knows anything of agriculture, to be one of the worst that can be devised; and this colonization project is bottomed on the same principle, and is quite as pernicious.

It is said that, through the exaction of a price for the land, and the consequent concentration of the colonists, their employments being more combined and divided, will be prosecuted with a great deal more success than hitherto. All this, however, proceeds on the false and exploded assumption that the colonists are not, like other individuals, the best judges of what is for their own advantage. Dr. Smith says truly that it is the highest impertinence for kings and ministers to attempt to direct private people *how* they shall employ their capital. But it is, if possible, a still greater impertinence to attempt to direct them *where* they shall employ it. A regard to their own interest will draw people sufficiently together. And to enact regulations in the view of concentrating them still more, is in every respect as contradictory and absurd as it would be to set about increasing the public wealth by regulating the sort of employments to be carried on, and the countries with which, and the commodities in which, to deal.

It was a part of this new scheme, on the supposed excellence of which much stress was laid, that the sums got by the sale of lands in the colony were to be expended in defraying the expense attending the conveyance thither of labourers. This was a species of bait held out to tempt capitalists to buy land, by making them believe that though land was artificially dear, labour would be artificially cheap, and that, on the whole, they would be very well off. This, however, is merely attempting to repair an injury done the capitalists, by inflicting a still more serious injury on the labourers. In a colony where a large portion of the capital is swallowed up in the purchase of land, the capacity to make improvements, and the demand for labour must be comparatively limited; and this limited market was to be glutted by throwing upon it crowds of paupers, transported gratis, from England. We say crowds of paupers, for few labourers aware of the facts of the case, who can afford to pay for a passage to the United States, will voluntarily go to a colony where land is to be artificially raised to a high price, and labour artificially cheapened. And hence it is that the capitalists who have bought lands in Australia and our other colonies have been entirely disappointed in their anticipations of being supplied with cheap labour. The exorbitant price set on the land, by preventing the immigration of independent labourers, has rendered wages as high in them as in the most flourishing parts of the U. States.

It is farther to be observed, that the most desirable class of immigrants does not consist of capitalists, the number of whom must always be very limited, nor of paupers, but of small farmers, tradesmen, and others, with sums varying from 50*l*., 100*l*., or 200*l*., up to 1000*l*. Such persons form the stamina of modern immigrants; and of these nine out of every ten emigrate in the hope of acquiring the property of a less or greater piece of land, the culture of which is to be carried on wholly or almost wholly by themselves and their families, and which is to engage all or a large portion of their attention. But the extravagant price demanded for land in some of our colonies makes the class now referred to resort in preference to the U. States: and, there is no doubt of the fact, that for the last twenty years, the most valuable emigrants from this country, that is, of industrious individuals, possessed of capital, have established themselves in some part of the Union.

And how could any other result be anticipated? The Americans sell the richest and finest wheat lands in the valley of the Mississippi for about a dollar an acre; whereas, we exact a minimum price of 6*s*. 7*d*. sterling (8*s*. currency)[1] an acre for the worst lands in Upper Canada, and 20*s*. an acre for the worst in Australia, from 4 to 6 acres of which are required to depasture a single sheep! Had such extraordinary regulations been devised to divert the current of voluntary emigration from our colonies to the U. States, they would have done honour to the sagacity of those by whom they were contrived, and there would not have been a word to say against them. But as it is, they are repugnant alike to the plainest dictates of common sense, and to the best interests of the colonies and of the mother country; and we leave it to others to decide whether their impolicy or the tenacity with which they have been supported by the home government be the more remarkable.

Instead of concentrating the population, and providing for the proper subdivision of employments, this system has had a precisely opposite effect, and while it has dispersed it over a comparatively wide surface, it has improperly congregated it in a few localities. In Australia, where the system has been carried to the greatest extent, comparatively little land has been sold since the price was raised to 20*s*. an acre. The capitalists who emigrate to that continent, or who carry on speculations in it, no longer think of becoming proprietors and cultivators, but become squatters or lessees of vast tracts

[1] This system is now so far amended that land is sold in Canada at 70 cents an acre for cash, and at a dollar an acre on credit.

RETURN, enumerating the various Colonies belonging to the UNITED KINGDOM, the Dates of their Acquisition, their Government, Population, Revenue, Expenditure, and Trade, from Official Sources.

COLONIES.	Date of Capture, Cession, or Settlement.	How governed	Population in 1861 or last Census.	Revenue. 1861.	Expenditure. 1861.	Imports from United Kingdom, 1860.	Exports to all Countries, 1860.
NORTH AMERICA:—				£	£	£	£
Canada East	Capitulation, Sept. 18, 1759 and Sept. 8, 1760	Governor, Council, and Assembly	2,506,755	12,655,500	14,724,830	3,304,162	7,214,978
Canada West	and Cession by Treaty, 1763	" " "					
New Brunswick		" " "	252,047	148,671	219,992	479,875	916,372
Nova Scotia	Fisheries and Settlements, established soon after their Discovery in 1479.	" " "	330,857	160,640	203,500	515,747	1,377,826
Cape Breton		" " "					
Prince Edw. Island		" " "	80,857	28,006	32,790	80,990	201,434
Newfoundland		" " "	122,638	90,043	126,753	503,198	1,271,712
		TOTAL	3,293,154	13,091,860	15,307,874	4,883,972	10,982,322
WEST INDIES:—							
Antigua	*Settlement,* 1632	*Governor, Council, and Assembly*	37,125	37,974	38,922	96,358	254,002
Barbadoes	1605	" " "	152,727	98,049	115,895	420,268	984,294
Dominica	Ceded by France, 1763	" " "	25,065	14,462	13,752	28,013	80,458
Grenada	" 1763	" " "	31,900	19,705	18,530	63,258	125,502
Jamaica	Capitulation, 1655	" " "	441,264	291,087	292,402	701,211	1,225,677
Montserrat	Settlement, 1632	" " "	7,645	4,244	4,067	509	17,043
Nevis	" 1628	" " "	9,822	6,071	6,161	8,456	40,666
St. Christopher	" 1623	" " "	24,440	20,283	21,483	75,931	187,167
St. Lucia	Capitulation, June 22, 1803	Gov., Council, and Orders of H.M. in Council	26,705	14,227	14,137	33,795	105,947
St. Vincent	Ceded by France, 1763	Governor, Council, and Assembly	31,755	25,352	25,107	62,256	172,265
Tobago	" 1763	" " "	15,410	8,266	8,568	14,201	67,124
Tortola	Settlement, 1666	" " "	6,051	2,649	2,294	Not stated.	
Trinidad	Capitulation, Feb. 18, 1797	Gov., Council, and Orders of H.M. in Council	84,438	171,729	188,841	356,757	714,605
Bahamas	Settlement, 1629	Governor, Council, and Assembly	35,287	37,018	36,876	25,442	157,350
Bermudas	" 1609	" " "	11,451	21,804	19,298	37,312	23,467

British Guiana -	Capitulation, Sept. 18 & 23, 1803	Gov., Council, and Ordors of H.M. in Council	149,026	303,753	305,443	619,351	1,513,152
Honduras - -	Treaty, 1670	Superintendent and Magistrates - -	25,635	41,930	28,897	128,081	315,919
		TOTAL - -	1,114,746	1,119,203	1,140,623	2,661,759	5,984,938
AUSTRALIA:—							
New South Wales -	Settlement, 1787	Governor, Council, and Assembly - -	358,278	1,843,087	1,973,229	4,160,307	5,072,020
Victoria - -	Separated from N.S. Wales, 1851	" " " - -	519,901	3,131,420	2,467,615	0,564,093	12,962,704
South Australia -	Settlement, 1834	" " " - -	126,830	507,189	526,529	939,315	1,788,716
Queensland -	Erected by Letters Patent, 1859	" " " - -	34,367	178,589	180,103	56,730	523,476
Western Australia	Settlement, 1829	" " " - -	17,246	67,337	72,267	133,055	89,247
Tasmania - -	" 1803	" " " - -	80,977	315,733	337,941	584,174	962,170
New Zealand -	" 1839	" " " - -	162,179	691,464	656,341	870,569	588,953
		TOTAL - -	1,338,778	6,734,798	6,214,025	16,308,873	21,982,286
OTHER COLONIES:—							
Heligoland - -	Capitulation, Sept. 5, 1807	Governor, and Orders of H.M. in Council -	2,172	1,032	991	Not stated.	
Gibraltar - -	" Aug. 4, 1704	" " " "	15,462	31,401	32,088	Do.	
Malta - -	" Sept. 5, 1800	" Council, and Orders of H.M. in Council	139,842	153,806	148,072	37,630	2,300,821
Cape of Good Hope	" Jan. 10, 1806	" " " "	249,512	748,866	763,237	1,847,103	2,080,398
Natal - -	Settlement, 1844	" and Orders of H.M. in Council -	152,903	114,087	121,710	269,280	139,698
Sierra Leone - -	Ceded by Holland, 1787	" Council, and Orders of H.M. in Council	41,806	37,355	44,264	138,016	304,394
St. Helena - -	Capitulation, Sept. 17, 1795	" " and Assembly - -	6,860	21,408	20,286	71,019	10,896
Ceylon - -	" Dec. 3, 1810	" " and Orders of H.M. in Council	1,840,554	767,101	705,410	1,043,052	2,550,586
Mauritius, &c. -	Treaty, 1842	" " " "	319,105	482,788	468,849	578,814	2,259,640
Hong Kong -	Settlement, 1847	" and Orders of H.M. in Council -	123,911	131,512	122,423	Not stated.	
Labuan - -		" " " "	2,442	8,000	8,409	Nil.	12,603
		TOTAL - -	2,894,869	2,497,356	2,436,369	3,984,949	9,659,036
		TOTALS { NORTH AMERICA - -	8,293,154	13,091,860	15,307,874	4,883,072	10,982,322
		TOTALS { WEST INDIES - -	1,114,746	1,119,203	1,140,623	2,661,759	5,984,938
		TOTALS { AUSTRALIA - -	1,338,778	6,734,798	6,214,025	16,308,873	21,982,286
		TOTALS { OTHER COLONIES -	2,894,869	2,497,356	2,436,369	3,084,949	9,659,036
		GENERAL TOTALS - - -	8,641,547	23,443,217	25,098,891	27,839,553	48,608,582

which they devote to pasturage. Hence the rural population is spread over an immense surface; and while there is little demand in the country except for shepherds and herdsmen, the towns are swelled to a disproportionate size by the forced residence of those who under a rational system, would have been distributed over the colony as labourers and artizans.

Such are some of the consequences of this new colonization scheme. And, despite the undeserved support it has met with, we incline to think that the reader will have little difficulty in concluding with us, that it has not a single redeeming quality; and that it is throughout a tissue of delusions and contradictions.

The production of sugar has greatly fallen off in our West Indian colonies since the abolition of slavery; and the colonists have loudly complained of the difficulty of obtaining a sufficient supply of labour, and of its high price. But it is believed by many that this state of things will be temporary only; that free is always in the end cheaper than slave labour; and that in no very lengthened period, wages will be lower and labour more abundant in our islands than in those where slavery is maintained. This, however, though a popular is a very doubtful conclusion; and we are inclined to agree with those who hold that a supply of some sort of compulsory labour is indispensable to the profitable raising of sugar in the New World.

Free labour is, we believe, uniformly found to be cheaper than slave labour in all those cases in which freemen and slaves engage indiscriminately in the same employments, and are equally well fitted for carrying them on. But in the West Indies this is not the case. The climate there is such as to render severe field labour unsuitable to the constitution of Europeans; and there are but slender grounds for thinking that the culture of sugar will ever be voluntarily undertaken by the blacks. The latter have few wants. Many articles which are indispensable in cold or temperate climates would be an encumbrance in Jamaica and Demerara. Hence, the *curis acuens mortalia corda*, so powerful among the nations of Europe, is but feebly felt by the blacks of the West Indies. Their necessities and desires are of a very limited description, and are generally, indeed, fully supplied by the produce of a small patch of land requiring but little labour in its cultivation. And such being the case, it would be contradictory to suppose that they should voluntarily employ themselves in the hard labour necessary to produce sugar. Consistently with what is now stated, we find that Hayti or St. Domingo, though the most fruitful of the West Indian Islands, and though it furnished, when a colony of France, immense quantities of sugar, no longer furnishes a single ton! And what ground is there for supposing that the result would be different in Brazil and Cuba were the blacks emancipated, and were they able easily (*which is not the* case in Jamaica and most of our islands) to obtain patches of land? The possession of such patches is requisite to enable them to subsist without engaging in laborious service; and in the event of their not being able to obtain land, they may be forced to employ themselves in the culture of sugar; though, as it is against their inclination, they will withdraw from their work on the first opportunity, and will, while employed, be as idle as possible. It, consequently, appears that the question with respect to the cheapness and efficiency of free and slave labour is one that depends in great measure on circumstances—that is, on the locality where, and the parties by whom, it is to be carried on; and whether the labour be of that description in which freemen would be disposed voluntarily to engage. It is impossible to bring whites into competition with blacks in out-of-door labour in tropical countries; and, as there are no grounds for thinking that really free blacks will ever, of their own accord, undertake the drudgery of sugar planting, it would seem that compulsory or slave labour is not merely the cheapest that can be so employed, but that it is all but indispensable to the prosecution of the business. We do not state this as any vindication of slavery, but as being apparently the only conclusion which can be legitimately deduced from the facts of the case. We, indeed, are much inclined to think that, in the end, the culture of the sugar-cane, on a large scale, will have to be abandoned in all those parts of the New World in which slavery is suppressed. (See Return on previous page.)

NOTE XXVI.

TAXES ON THE RENT OF LAND.

THE view taken by Dr. Smith of the operation of taxes on the rent of land is at once incomplete and erroneous. This has resulted principally from his having made no distinction between taxes on rent properly so called, or on the sum paid for the use of the natural and inherent powers of the soil, and taxes on rent in the popular sense of the term, or on the total sum paid for the use not merely of the land, but also, of the buildings, if any, and the drains, fences, and improvements of all sorts effected upon it. He held that taxes on the rent of land, taking the term in its popular and broadest sense, fell wholly on the landlords. No doubt, however, this is an error. The sum paid to the landlords for the use of the natural powers of the soil might be entirely swept away by a tax, without their having it in their power to throw any portion of the burden on any one else; but in so far as the rent of land consists of the interest of capital expended on improvements or buildings, it could not be taken from the landlords by a tax on rent.

1. Practically it is altogether impossible to separate the gross rent of land in an old settled, and highly-improved country into its component parts, or to distinguish between the sum paid for the use of the soil, and that paid on account of the capital expended upon it. But supposing this separation to be effected, then as the former portion, or that paid for the use of the natural and inherent powers of the soil, is a surplus over and above the cost of production (see *antè*, p. 446), it might, it is clear, be entirely carried off by a tax without affecting the interests of any class, other than landlords. The heaviest tax on it would not raise the price of raw produce; for nothing can affect its price which does not affect the cost of its production. But the real rent of land is extrinsic to and independent of that cost; and cannot, indeed, have any existence until the cultivators have been fully indemnified for the expense incurred in bringing produce to market, and have obtained the common and ordinary rate of profit on the capital vested in buildings, fences, &c., and in seed, labour, and implements. The prices of all sorts of farm produce would, consequently, continue unaffected, though a tax were imposed absorbing all the real rent of land, or the sum paid for the soil only.

2. It would not, however, be possible for government, even if it were disposed to make the attempt, to abstract by means of direct taxes the *gross* rent of the landlords, or the total sum paid them, not only for the use of the inherent powers of the soil, but for buildings, &c. In whatever degree the rent of land may consist of interest of capital laid out upon it, in that degree would a tax upon rent operate to raise the price of raw produce, and would, in consequence, fall ultimately on the consumer. In so far as the gross rental of landlords consists of sums paid them for the use of the natural and inherent powers of the soil, it results not from their being producers, but from their being owners of land; but it is otherwise with the portion of the gross rental paid them on account of improvements. This results from their being producers, or from their having capital vested in agricultural meliorations; and it is plain that a tax affecting the profits of this capital must necessarily affect the cost of the produce raised by its agency. Suppose, for example, that the gross rental of a farm is 500*l.* a year, a half, or 250*l.* thereof, being really paid as interest of capital laid out on its improvement. If, in such a case, a tax of ten per cent. were laid on rent, only a half, or 25*l.* of this tax, would be permanently paid by the landlord. In the first instance, no doubt, the whole 50*l.* would fall upon him; but 25*l.* of this payment would, it is plain, be a deduction from the profits of the capital expended on improvements, and not from rent properly so called. And the landlords, being thus placed in a comparatively unfavourable situation, no more capital would be laid out on the soil, until the price of corn, and other raw produce, had been raised, by the gradual diminution of its quantity or the increase of demand, so as to place them in the same situation as other producers; that is, until they obtained the common and ordinary rate of profit from the capital vested in improvements.

It appears, therefore, that although it may be supposed possible to draw into the coffers of the treasury, by an exclusive tax, all that portion of the rent of land which is paid for the use of the natural and inherent powers of the soil, the other portion, or that which is paid for the improvements made on it, would not be permanently affected by an exclusive tax; and would, speaking generally, be taxed to only the same extent that the profits of capital employed in other departments are taxed.

In a practical point of view taxes on the rent of land are among the most unjust and impolitic that can be imagined. It is, as already stated, quite impossible to separate rent into its elements, or to say how much is paid for the soil, and how much for improvements. No two agriculturists ever arrive, in any case of this kind, unless by accident, at the same conclusion; and the best judges affirm that, generally speaking, the distinction is impracticable. When, therefore, a tax is laid on rent, it is necessarily proportioned to its gross amount, or to the total sum paid to the landlords, without regard to the sources whence it is derived. But a tax of this description has always been, and will unavoidably continue to be, a formidable barrier to improvements; for, the return paid to a landlord for capital expended on the soil being included in the rent, the tax discourages or prevents fresh outlays of capital on the land, inasmuch as they occasion a corresponding increase of the tax. The injustice of this impost is not less obvious. Two landlords are each in the receipt of an equal sum, say 1,000*l.* a year, the estate of one consisting of naturally fine soil, on which little capital has been laid out, and that of the other of inferior land on which a great deal of capital has been expended. A tax on the former merely abstracts a portion of what is principally a consequence of the bounty of Providence, whereas a tax on the latter abstracts a portion of what has been mainly produced by the labour and industry of man. Hence the injustice and oppressiveness of a tax on rent. We doubt, indeed, whether it be possible to suggest any tax more decidedly at variance with every sound principle, or more adverse to the progress of improvement. The *contribution foncière* in France is a tax of this sort; and though in all respects preferable to the *taille* which it superseded, its injurious operation is the theme of every writer on French agriculture.

NOTE XXVII.

TAXES ON PROFITS.

A tax proportioned to the nett profits realized by those engaged in all departments of industry, would fall, were it fairly imposed, wholly on profits.

Such a tax would equally affect all capitalists. As none could hope to evade an universal burden of this sort by changing their business, it would not occasion any transfer of capital from one employment to another. Neither would it occasion any variation in the supply and demand of commodities, or in their money price. For a tax that falls on profits and not on capital would not impair the means of production. It would, no doubt, diminish incomes derived from profits; but as it would proportionally augment the sums at the disposal of government and its dependants, the aggregate demand of the society would continue nearly the same. And hence, as the tax would not lessen the capital of the producers, nor the ability to purchase their products, it would not sensibly affect prices.

An equal tax on profits would, therefore, in the first instance, reduce them in the same proportion. And as the power to accumulate capital, and consequently to feed and employ additional hands, is generally proportioned to the rate of profit, it follows that the tendency of taxes on profits, and their ultimate effect, if they be not balanced by increased exertion and economy, is to check the growth of capital and population.

But these conclusions, it must be borne in mind, are true only on the supposition that the tax is made to affect *all* profits to the same extent; and practically, this is impossible. There are no means by which to measure the rate of profit in different businesses. Generally, indeed, it can only be guessed at even by those who carry them on; and were an attempt made to tax profits, most individuals would underrate their amount, and in the far greater number of businesses, it would be quite impossible to form any accurate estimate of their magnitude. Hence, it would be necessary to adopt some general rules for assessing the tax; and the vice of these is, that being bottomed on assumed average rates, they invariably, even when most accurate, make those engaged in successful and unsuccessful speculations pay, the former too little, and the latter too much. Profits cannot, in truth, be ascertained; and consequently never have been and never can be taxed in proportion to their amount. And though it be important to know how a tax on profits would operate were it equally imposed, it must be remembered that this is impracticable, and that the supposition is made merely to illustrate a principle.

A tax laid on the profits of a particular business, or on the commodities produced by those who carry it on, without applying to others, would have a different effect. It might, or it might not, raise prices; but Adam Smith is correct in saying that it would not continue to fall on those engaged in the business. Suppose that a tax of 10 per cent. is laid on the profits of the shoemaker, or on the shoes made by him, and on no other tradesman. The slightest consideration will show that this tax must in the end either occasion a reduction of the cost, or an increase of the price of shoes, or both. On its being imposed, the shoemakers will make less profit than the untaxed parties engaged in other businesses; and to replace themselves on their old level they will try to defeat the tax, by exerting greater skill and industry, but should they not succeed, or succeed only partially, they will gradually contract or leave their employment, until, through the diminution in the supply of shoes, their price is raised so as to yield the current rate of profit, in addition to the tax. For the same reason, if a tax laid only on the profits, or the products, of the hatter, or clothier, or farmer, be not partially or wholly countervailed by an increased facility of production or saving of expense, it will eventually make a corresponding addition to the price of hats, cloth, or agricultural produce. In these cases the producers can, by raising prices, throw the burden of the tax on the consumers, because they can withdraw from the businesses in which profits and articles are taxed, and engage in those in which they are not taxed. When, however, profits and articles are universally taxed, they are deprived of this resource, and have no means by which to raise prices or evade the tax.

Hence, when a tax is laid on those engaged in one or in a few businesses, it has, as it were, a twofold effect. It stimulates those engaged in the taxed businesses to endeavour, by greater ingenuity, industry, and economy, to meet its pressure without raising the prices of the products or services they have been accustomed to bring to market. These efforts are almost always partially, and not unfrequently they are wholly, or more than wholly, successful; but sometimes they fail to effect their object. And when such is the case the taxed parties begin gradually to withdraw from the businesses in which they are engaged to embark in others which are not taxed, and where profits are higher. But this withdrawal is frequently effected at a considerable sacrifice. The machines, instruments, and workpeople that may be fitted for a peculiar business or department of industry may be wholly unsuitable or ill-fitted for others. And hence, though it be true that taxes on peculiar businesses, being in the end identified with the prices of their services or products, fall on the consumers, this may not always be effected without loss to those on whom they are directly imposed. Indeed, there are but few instances in which for a while, at least, such taxes do not lay the latter under very serious difficulties; while in others, their influence is, in this respect, of an abiding character.

NOTE XXVIII.

TAXES ON WAGES.

1. *Direct Taxes on Wages.*—**2.** *Taxes on the Articles consumed by the Labourers.*

1. Adam Smith lays it down, in his article on taxes on the wages of labour, that "while the demand for labour and the price of provisions remain the same, a *direct* tax upon the wages of labour can have no other effect than to raise them somewhat higher than the tax." (p. 390.) And he further supposes that, to whatever extent the wages of manufacturing labour may be increased by a tax, the burden will ultimately fall, not on the manufacturers and merchants, but on the consumers, by an increase in the price of commodities; and that to whatever extent the tax may raise the wages of agricultural labour, it will really fall, not on the farmer or the consumer, but on the landlord.

None of these conclusions is correct. The immediate effect of a direct tax on wages, does not depend on the demand for labour continuing stationary, but on the mode in which the produce of the tax is expended. And the principles established in the previous notes show that when wages rise, whether by their being taxed, or by any other cause, that rise does not go to raise the price of commodities or to lower rent, but is deducted from the profits of the capitalists and other employers of labour.

Suppose, to illustrate its operation, that a tax of 10 per cent. is imposed on the wages of labour, or that all labourers are made to hand over 10 per cent. of their earnings to collectors appointed by government. Seeing that no part of this tax is taken from the capitalists, it is clear it cannot in any way diminish their means of employing labour. Its effect must, therefore, depend on the mode in which it is expended. If the produce of the tax were laid out on additional troops or sailors, it is easy to see that it could occasion little or no immediate injury to the labourer; for were such the case, the agents of government would enter the market for labour with means of purchasing, derived from the labourers themselves, and not from their employers, and in consequence of this greater competition, wages would be raised in proportion to the additional means in the hands of government, or, in other words, to the amount of the tax. An example will render this apparent. Suppose that the labourers in a particular country receive as wages 2,000,000*l.* a year; and suppose further that government wish to increase the military force, and that to get the means of doing so, a tax of 10 per cent. or of 200,000*l.* is laid on wages. It will unavoidably follow, inasmuch as the capitalists will still come into the market for labour with the 2,000,000*l.* formerly employed by them in the payment of wages, while the agents of government will also come into the same market with the 200,000*l.* derived from the tax, that wages will be raised in exact proportion to the latter.

But if the tax were laid out, not as has been supposed, in paying the wages of additional troops, but in increasing the pay of those already embodied, or of other functionaries employed by government, its effect would be different. In this case there would be no additional demand for labour. The individuals receiving the tax would, indeed, have a greater demand for the produce of labour; but their greater demand, being merely equivalent to the diminished demand of the labourers by whom the tax had been paid, would make no real addition to the total demand of the country. And thus it appears that when the produce of a tax on wages is employed to hire fresh individuals for the service of government, it raises, by taking so much labour out of the market, the price of the remainder in proportion to its amount; but when its produce is employed to increase the wages of public functionaries, or of troops already embodied, the quantity of labour in the market is not lessened, and the tax consequently falls, in the first instance, wholly on the labourers.

But, even in this last case, a tax on wages might not, and it is most probable would not, continue to be paid entirely out of wages. Such tax when first imposed could hardly fail, unless the country were peculiarly prosperous, by lessening the comforts, and perhaps also the necessaries of the labourer, to check the progress of population, as well by retarding the period of marriage as by increasing the rate of mortality; and the diminution of labourers thence arising might eventually raise wages so as to throw the tax either wholly or partially on the capitalists.

There are, however, very considerable obstacles to a rise of wages in the way now pointed out. Whether it be brought about by a decrease in the number of marriages, or by an increase in the rate of mortality, or both, it is never the work of an instant. A considerable time is always required before it can be effected; and there is, in consequence, an obvious risk lest the habits of the labouring classes should be degraded in the interim. When wages are considerably reduced, whether by a tax or otherwise, the poor are obliged to economize; and should the coarse and scanty fare that is thus, in the first instance, forced upon them by necessity, become congenial from habit, no check would be given to population; the rate of wages would be permanently reduced, and the condition of the great mass of society be changed in so far for the worse.

Inasmuch, however, as anything that tends to lower the habits of the bulk of the people, or to reconcile them to a lower standard of comfort, should be carefully guarded against, taxes on wages would seem to be highly objectionable, unless their produce were expended in hiring additional troops, or in removing labour from

the market. And though expended in this way, it is very questionable whether they should be resorted to. It would be exceedingly difficult to convince any considerable number of labourers that the produce of a tax on wages, however laid out, ever reverted to them. They would see the immediate sacrifice they were called upon to make, but they would see no more. The rise of wages would be ascribed to causes which the tax would not be considered as promoting, but as counteracting. Such taxes would, therefore, be in no ordinary degree unpopular. And besides, it is clear that if they are expended so as to raise wages—and otherwise they ought on no account to be imposed—they may as well be laid directly on the capitalists. If the latter do not pay such taxes at first, they must pay them at second hand. And though their effects were in other respects somewhat different, a prudent administration would rather choose to lay a direct tax on the employers of labour than to tax them indirectly, by laying it in the first instance on the labourers. It is true that this direct mode of taxing capitalists is productive of no real advantage to the labourer; but neither is it productive of any real injury to his employer; and the circumstance of its tending to lessen popular irritation, and to facilitate the imposition of the tax, is sufficient to make it be preferred.

It is obvious, from these statements, that the real injury inflicted on the labourers by a direct tax on wages, expended in the way now supposed, consists not in its immediate but in its remote effects. By falling on profits, its tendency is to diminish the power to accumulate capital; and when carried so far as to have this effect, it cannot fail, unless the stimulus previously given to population be at the same time diminished by the more powerful operation of the principle of moral restraint, to depress the condition of the labourers, and lower the natural rate of wages.

II. The question respecting the influence of direct taxes on wages, is one rather of a theoretical than of a practical description; for the unpopularity that would unavoidably attend such taxes will always, except under very peculiar circumstances, suffice to hinder their being imposed. But it is otherwise with *indirect* taxes on wages, that is, with taxes laid on the articles usually consumed by the labourers. These are imposed with comparative facility; and the extent to which they have been and may be carried, makes the question in regard to their influence over the condition of the labouring classes of primary importance.

According to Adam Smith, with whom Mr. Ricardo concurs, the labouring classes can never be made to contribute any thing of importance to the public revenue. But despite the deference due to their authority, this opinion cannot be received without much modification. The effect of taxes on necessaries is different according to the different situation of the labourers. It is plain, for example, that the domestic servants, that are so very numerous in this and most other countries, contribute little or no portion of the taxes laid on the articles they principally make use of. Such taxes do not fall on them, but on their masters. Probably, indeed, were they carried to an improper height, they might make fewer servants be employed; but except in so far as they operate in this way, the duties on sugar, tea, beer, spirits, and other articles used by household servants, are wholly paid by those with whom they live.

Taxes on necessaries operate differently in the case of the labourers who provide themselves with lodging and subsistence. It is pretty certain, provided the country were in a prosperous state, that wages would in the end be raised proportionally to the amount of such taxes falling on the articles consumed by the labourers. But, for the reasons already stated, this rise is usually brought about by a slow and a difficult process. And there is in most cases a great risk in imposing or increasing taxes on necessaries, lest the wages of labour should not sustain a corresponding rise, and the condition of the labourers be in consequence depressed.

A farther distinction must be made in estimating the influence of indirect, and also of direct taxes on wages, between labourers engaged by the day, the week, or other term, and labourers engaged by the piece, or at job-work. Taxes laid on necessaries or on wages make the latter endeavour to defeat their influence by increased exertions; whereas the former must principally or wholly trust to increased economy: and it frequently happens that labourers by the piece are thus enabled to meet, and even more than meet, the burdens imposed by the tax, without materially, or indeed sensibly, diminishing their demand for necessaries and conveniences. Hence, in cases of this sort, a tax on wages, or on the necessaries consumed by the labourers, is wholly defrayed by them, its real effect being to give more vigour to their industry.

It therefore appears that the influence of taxes on wages and of taxes on the necessaries used by the labourers, differs very materially under different circumstances. On the whole, however, we are inclined to think that it may, generally speaking, be concluded, that in Great Britain at least, taxes on necessaries have not sensibly depressed the condition of the labouring classes; and that while they have been partially countervailed by the increase of moral restraint, they have been in a far greater degree countervailed by the increased industry and frugality they have occasioned.

NOTE XXIX.

ADVANTAGES AND DISADVANTAGES OF DIRECT AND INDIRECT TAXES.

THOUGH most governments have had recourse to direct taxes, they have rarely, at least in Europe, formed the sole or even principal source of the public revenue. Indirect taxes have with few exceptions been the greatest favourites both of princes and subjects; and there are very sufficient reasons for the preference of which they have so generally been the object. The burden of direct taxation is palpable and obvious. It admits of no disguise or concealment, but makes every one fully sensible of the exact amount of the demand made upon him by government. We are all, however, extremely averse from parting with property, except we obtain some more acceptable equivalent in its stead. And the benefits derived from the institution of government, though of the highest importance, being neither so very obvious nor striking as to be readily felt and appreciated by the bulk of the people, there is, in the great majority of cases, a strong disinclination to the payment of direct taxes. For this reason governments have generally had recourse to those that are indirect. Instead of exciting the prejudices of their subjects by openly demanding a portion of their incomes, they have taxed the articles on which these incomes are usually expended. This ingenious plan, while it conceals the amount of taxation, makes its payment in some measure voluntary. The tax being generally paid, in the first instance, by the producers, the purchasers confound it with the natural price of the commodity. No separate demand being made upon them for the tax, it escapes their recollection, and the article which they receive seems the fair equivalent of the sacrifice made in acquiring it.[1] Or if the tax should be so heavy as to add materially to the price of the article, they either wholly abstain from using it, or use a less quantity. Such taxes have also the advantage of being paid by degrees, in small portions, at the time when the commodities are wanted for consumption, or when it is most convenient for the contributors to pay them.

The facility with which indirect taxes may be imposed, and their peculiar influence in promoting economy, have been set in a striking light by the Marquis Garnier. "L'habitude," says he, "qu'ont les hommes de voir dans l'argent la représentation de toutes les choses qui servent au soutien ou à l'agrément de la vie, leur fait naturellement contracter une extreme répugnance à se défaire de l'argent qu'ils possèdent, à moins qu'il ne s'agisse de pourvoir à un besoin, ou de se procurer une jouissance. On dépense avec plaisir, mais il faut un effort pour payer une dette; et celle qui coûte le plus à acquitter, parce que la valeur reçue en échange est moins aperçue et moins sensible pour tout le monde, c'est l'impôt. En attachant l'impôt à la chose consommable, en le confondant dans le prix de celle-ci, en faisant que la paiement de la dette et la jouissance soient un seul et même acte, on fait en quelque sorte participer l'impôt à l'attrait que porte avec soi la consommation, et l'on fait naître dans l'esprit du consommateur le désir d'acquitter l'impôt. C'est au milieu de la profusion des repas que se paient les taxes sur le vin, la bière, la sucre, le sel, et les articles de ce genre, et le trésor public trouve un source de gain dans les provocations à la dépense qui sont excitées par l'abandon et la gaité des fêtes.

"Un autre avantage de même nature en faveur de l'impôt indirect ou de consommation, c'est son extrême divisibilité, et la facilité donnée au contribuable de s'acquitter jour par jour et même d'une minute à l'autre. L'artisan qui soupe d'une partie du salaire de sa journée, satisfait quelquefois en un quart d'heure, à quatre ou cinq paiemens divers de l'impôt.

"Dans la perception directe l'impôt se montre sans nul déguisement; il vient sans être attendu, à cause de l'imprévoyance si ordinaire au commun des hommes, et il apporte toujours avec lui de la gêne et du découragement. Mais l'impôt indirect, en ajoutant successivement un surcroit de prix aux articles de consommation générale et journalière, au moment où tous les membres de la société ont contracté l'habitude de ses consommations, rend ses divers articles un peu plus coûteux à acquérir; c'est-a-dire, qu'il donne lieu à ce qu'il faille, pour se les procurer, un surcroit proportionne de travail et d'industrie. Or, si cet impot est mesure de maniere a ne pas aller jusques à decourager la consommation, ne semble-t-il pas, dans ce cas, agir comme un stimulant universel sur la partie active et industrieuse de la société, qui l'excite à un redoublement d'efforts, pour n'être pas oblige de renoncer à des jouissances que l'habitude lui a rendues presque nécessaires, et qui, en consequence, donne un plus grand développement aux facultés productives du travail et aux ressources de l'industrie? Ne doit-il pas en résulter, qu'apres l'impôt, il y a la meme somme de travail et d'industrie qu'auparavant pour fournir aux besoins et aux jouissances habituelles des hommes qui composent la classe laborieuse, plus la somme de travail et d'industrie qui a dû pourvoir au surcroit de prix destiné a l'impôt. Or, cet impot, ou ce surcroit de produit que se paye, étant depen é par le gouvernement qui le recueille

[1] Nero was supposed to have abolished the duty of 4 per cent. on the slaves sold in Rome, when he really did no more than order it to be paid by the seller instead of the buyer. "Remissum," says Tacitus, "specie magis quam vi; quia eum venditor pendere juberetur, in partem pretii emptoribus accrescebat." (Annal., lib. xiii. cap. 32.)

sert à alimenter une nouvelle classe des consommateurs, qui forment des demandes que l'impôt les met à portée de payer."[1]

The truth of this statement is so very obvious that it may appear unnecessary to enlarge farther upon the subject. And yet we are sometimes assured that if we look a little more narrowly into the matter we will find that the representations of Garnier are in the main fallacious, and that indirect taxes are very frequently productive of singularly injurious results. But the contradiction involved in this statement is apparent merely. Garnier, and those who have espoused his views, refer only to such indirect taxes as have been judiciously selected and assessed, and confined within reasonable limits; whereas the objectors refer to a totally different variety of taxes, to such as should not have been imposed, or that have been assessed on an unfair principle, or been carried to an oppressive extent. These, however, are nothing save abuses of a sound principle; and it would be as unreasonable to object to food, that when taken in excess it is injurious, as it is to object to indirect taxes that they may be unskilfully applied or carried to an excess. When properly selected and administered, which is never any very difficult matter, they really become efficient sources of wealth.

Supposing that the insuperable difficulty of fairly assessing taxes upon property and income were to be overcome, they would probably have nearly the same influence as indirect taxes in promoting habits of economy or saving among the contributors. But exclusive of their influence in this respect, indirect taxes have a farther, as well as a peculiar and powerful influence in stimulating industry, invention, and enterprise. And it is in this that their great and distinguishing superiority mainly consists.

Hume did not fail to observe, and has happily illustrated this principle. "When," says he, "a tax is laid upon commodities, which are consumed by the common people, the necessary consequence may seem to be, that either the poor must retrench something from their way of living, or raise their wages so as to make the burden of the tax fall entirely upon the rich. But there is a third consequence which very often follows upon taxes, viz., that the poor increase their industry, perform more work, and live as well as before, without demanding more for their labour. Where taxes are moderate, are laid on gradually, and affect not the necessaries of life,[2] this consequence naturally follows; and 'tis certain that such difficulties often serve to excite the industry of a people, and render them more opulent and laborious than others who enjoy the greatest advantages."—(Essay on Taxes.)

This principle holds universally, that is, it applies to duties on all descriptions of articles, whether produced at home or imported. The moment such duties are imposed or increased, all the genius, the invention, and the practical sagacity of the manufacturers, merchants, and work-people, and all the talent they can command, are at work to find out cheaper methods of production, cheaper markets whence to import, and cheaper means of conveyance, so that the operation of the duties may, in as far as possible, be defeated by a reduction in the cost of the articles on which they are laid. It would not be easy to exaggerate, even if one were so disposed, the powerful operation of this principle. We find in the spur which it gives to invention and economy the explanation of what Garnier calls the most surprising phenomenon of Political Economy, "*l'accroissement rapide et prodigieux de la richesse chez les nations les plus chargées d'impôts sur les articles de la consommation générale.*"

But, notwithstanding the facility with which they may be imposed, and their influence, while confined within reasonable limits, in stimulating industry and invention, it must not be supposed that taxes on commodities or on expenditure are, in all respects, unobjectionable. The disadvantages incident to them have, however, been much exaggerated. It is alleged, for example, that they alter the natural distribution of capital and industry, and divert them into less advantageous channels, because, as already seen, when a tax is laid on any description of commodities, the producers, unless they can otherwise neutralise its influence, raise their prices by diminishing the supply of taxed articles in the market, and employing a portion of their capital in some more profitable business. But, if at all sensible, this disturbing action is experienced only when a duty is first imposed; for capital being distributed, after a short while, so as to suit the new state of things, the duty occasions no further disturbance. It is not, however, by any means a necessary consequence that the prices of articles on which duties have been laid should be raised proportionally to their amount, or, indeed, that they should be raised at all, and in the latter case the distribution of capital will not be affected. Provided duties be not oppressive, their influence in exciting those engaged in the production of the taxed articles to new efforts of industry and economy may enable them to sell the commodities at their old price, or at one but little higher. And supposing it were otherwise, and that prices were raised proportionally to the tax, the effect would be confined to the home market, inasmuch as the granting of an equivalent drawback, or the remitting of the duties on

[1] Préface à la Traduction de la Richesse des Nations, t. i. p. 66, 6d. 2de.

[2] The words, "affect not the necessaries of life," have doubtless been thrown in *per incuriam*. Moderate duties on necessaries exhibit, in the most marked degree, the consequences so justly ascribed by Hume to those laid on other articles.

the articles when exported, hinders the foreign market from being affected by the tax.

Duties on commodities being usually prepaid by the producers, and then by the wholesale dealers and others who sell them to the retailers, they not only, it is said, increase prices by their amount, but also by the amount of the profits of the various parties by whom they have been advanced before they are finally paid by the consumers. But though this circumstance undoubtedly operates to increase prices, its influence has been excessively overrated by Richardson, Say, Sismondi, and others. In the great majority of cases the retailers deal either directly with the producers or importers, or with the wholesale dealers, and, though the route through which an article has to pass in its way to the public were a great deal more circuitous, that circumstance would have very little influence over its price. Sismondi indeed has calculated that a tax of 4,000 francs paid originally by a manufacturer whose profits were 10 per cent., would, if the manufactured commodity passed through the hands of only five different persons before reaching the consumer, cost the latter 6,734 francs. This calculation proceeds on the supposition that he who first advances the tax receives from the next purchaser 4,400 francs, and he, again, from the next 4,840 francs; so that at each step 10 per cent. is added to its value. "But this," as Ricardo has justly observed, "is to suppose that the value of the tax would be accumulating at *compound* interest; not at the rate of 10 per cent. per annum, but at an absolute rate of 10 per cent. at every step of its progress. Sismondi's statement would be correct, if five years elapsed between the first advance of the tax and the sale of the taxed commodity to the consumer; but if one year only elapsed, a remuneration of 400 francs, instead of 2,734, would give a profit at the rate of 10 per cent. per annum to all who had contributed to the advance of the tax, whether the commodity had passed through the hands of five manufacturers or fifty."[1] And it might also, one would think, have occurred to those who put forward such exaggerated statements, that if they were in any degree true, those retailers who deal directly with the producers or importers would be able to supply their customers at comparatively low prices, so that the others would be entirely driven from the field.

It is admitted that high duties on commodities encourage smuggling. "They tempt persons to violate the laws of their country, who are frequently incapable of violating those of natural justice, and who would have been in every respect excellent citizens, had not the laws of their country made that a crime which nature never meant to be so," (*ante*, p. 406.) Their collection requires in consequence, the employment of numerous officers; and the producers of the taxed articles, being exposed to considerable inconvenience from domiciliary visits, indemnify themselves by adding to the price of their goods. But these are not legitimate consequences of duties on commodities. They result from their abuse, from the improper selection of the articles on which they are charged, or of their being carried to an improper extent, or both. The truth or expediency of a principle is not, however, to be tested by the ignorance, the folly, or the bad faith of those by whom it may be applied. When assessed upon proper subjects, and confined within reasonable limits, neither of which is difficult to discover, duties on commodities have nothing that can be found fault with. The temptation which they create to engage in smuggling is easily obviated. And it has been repeatedly shown that duties so restricted are uniformly more productive than those which are carried to such a height as to hold out any great encouragement to illegitimate practices.

But, after all, the stimulus which too high duties give to smuggling is not to be regarded as an unmixed evil. On the contrary, it is to be looked upon as a warning, an intimation that the limits of productive taxation have been exceeded; that we have arrived at the stage described by Swift when two and two in the arithmetic of the customs and excise do not make four, but frequently only one; and that it is necessary that the duties should be reduced. The smuggler, though generally a bad man, is, in some respects, a public benefactor; and there is little chance that, with his assistance, either customs or excise duties will be maintained at any very ruinous level. If the duties on any description of articles be too high, they become unproductive, because the smuggler supplies them at a less price. But unluckily, there is no such corrector of the abuse of property and income taxes. None can offer to supply A, or B, or C, who complains that his income-tax is unjust and oppressive, with an income that is less burdened. In such cases individuals must redress their own injuries, and trust to their dexterity in concealing or their boldness in denying, the amount of their incomes to evade the tax. But, how powerful soever, these resources are not equal to those furnished by the smuggler. We have the best of all securities that the present duties on spirits, malt, and tobacco will not be doubled, for everybody knows that if so, the revenue derived from them would be greatly diminished. But such would not be the case were the income-tax doubled or trebled. No doubt such a measure would more than double or treble the enormous fraud and perjury to which it gives rise; but still it would furnish additional revenue. It is difficult, indeed, to say, so long as there is anything to assess, when a tax on revenue would cease to be productive. But with duties on commodities this is a point that very soon discloses itself. They embody a principle that makes their abuse unproduc-

[1] Principles, &c., 3rd ed., p. 459.

tive; and hence their superiority to taxes on property or income. The latter have nothing that can either correct or modify their defects, or hinder them from becoming ruinous and intolerable. Even when most moderate, they demoralize all ranks and orders of the community, whereas moderate duties on commodities act as incentives to industry and economy, and those that are oppressive, if such there be, affect the few only who produce or deal in them.

It is said that duties on commodities do not always fall on individuals in proportion to their means of paying them; and that, while they press severely on persons with large families, or who occupy prominent stations, they may be almost wholly avoided by rich misers and those in obscure stations. But though not proportioned to the means of the parties, nor intended to be so, they are imposed on a fair principle, and involve no injustice. Their payment is to a considerable extent voluntary. And the fact that they sometimes press but lightly on those who might best afford them is of very little importance. Such persons will, in consequence, accumulate more and more capital, which being directly or indirectly employed in industrial undertakings, will most likely afford those engaged in them additional means of consuming. But whether this be so or not is immaterial. Two generations of misers do not often follow in succession; and the probability is, that the more liberal expenditure of those that are to come will fully compensate for the parsimony of their fathers. In matters of this sort, practical considerations are entitled to the utmost regard. The perfect equality of taxation is impossible. All attempts to assess individuals in proportion to their incomes must necessarily miscarry; and will probably be, in the end, productive of more evil than good. Nothing, therefore, remains but to adopt the best practicable taxes, and these appear, for the reasons already stated, to be duties on commodities or on expenditure. Those who abstain from spirits, sugar, and wine, will, of course, escape the duties laid on them. But those who use these articles have no good right to complain of this, seeing that they may also, by being as self-denying as the others, exempt themselves from the duties.

It is sometimes said that direct taxes are preferable to those that are indirect, because the latter fall principally on the lower and poorer portion of the community. It may be doubted, however, whether this be a true statement. A duty on gin, tobacco, beer, or other article consumed by the inferior classes, produces a greater amount of revenue than a duty on carriages, horses, French wines, livery servants, or such like articles, used principally by the rich. This, however, is not a consequence of the duties pressing more heavily on the lower classes, but of their immense preponderance in point of numbers. No fair conclusion can, in truth, be drawn in regard to the influence of taxation over different classes by merely looking at the gross sums which they respectively contribute to the revenue.

Independently, too, of these considerations, it has been shown, in treating of taxes on wages, that taxes on the necessaries consumed by the labourers, when they are not countervailed by greater exertion and economy, most commonly bring about in the end a corresponding rise of wages. There are cases, no doubt, in which such taxes diminish the comforts of the labourers; and, speaking generally, they should be resorted to with much caution, and confined within narrow limits.

It may further be observed that industry and frugality are, like everything similar, always proportioned to the strength of the motives which lead to their practice. Hence if you were to repeal all, or the greater number, of the taxes on the products used by the bulk of the population, you would at the same time weaken the motives that impel them to be industrious and thrifty. And though at first the effect of the change might probably be next to imperceptible, it would gradually, as new generations came into the field, become greater and greater, till in the end it would most likely be found that the lower classes had gained little or nothing by the remission of the duties save an increased disposition to, and facilities for, waste and idleness.

It is not in the best situated countries, or those of which the climate is finest and the soil most productive, that the peasantry are best off. In these their necessities are few and easily supplied, and when these are satisfied, they seem to care for nothing more. They want the ceaseless spur to continuous industry that stimulates the inhabitants of less (more?) happily situated countries, and makes them perseveringly laborious. And why should not artificial burdens, or political difficulties, have the like influence as a more inhospitable climate, or a less fertile soil?

Humboldt tells us that it had been proposed to prohibit the culture of the banana in Mexico as being the only means adequate to rouse the torpid faculties of the natives and make them in some degree industrious.[1] But what could not be done by so violent and impracticable a measure as a prohibition might, perhaps, be done by the intervention of a tax; and if so, it would become a copious source of wealth. A policy of this sort would have a good deal of analogy with that which has been so successfully followed of late years by the Dutch in Java.

It is contradictory to suppose that the condition of the population should be improved by the mere substitution of direct for indirect taxes. A fair and equitably assessed direct tax, whether on property or income, must fall equally on every man according to the amount of his property or income. If the

[1] Essai Politique sur la Nouvelle Espagne, i. p. 390.

tax be limited so as to fall on those only who have considerable properties or considerable incomes, it is in so far perverted from its legitimate object, and made to confer a bounty or an alms on certain classes at the expense of others. And yet we apprehend that here at least direct taxes are beginning to be looked upon as synonymous with taxes laid exclusively or principally on the wealthier classes; and that whatever popularity they may enjoy amongst us is to be ascribed to this circumstance. But all classes, the less as well as the more opulent, participate equally in the benefits resulting from the institutions, the security, and the national independence, for the maintenance of which taxes are imposed. On what pretence, then, is any class to be excused from contributing to their support? It is absurd to say that A should be exempted from taxation because he is not so rich as B; for if you admit such exemption in the case of A, how can you refuse it in the case of B who is less opulent than C, or of C who is less opulent than D, and so on? All that individuals can fairly claim is, that they shall be taxed in proportion to their means whether these be great or small. The amount of the latter concerns themselves only, and is a matter indifferent to government, which is bound to treat all its subjects alike without regard to their wealth or social position. You cannot diverge from this rule, either to the one side or the other, without being entangled in endless difficulties and contradictions. Whatever is a favour to one, is necessarily an injustice to some one else quite as deserving, and as well entitled to protection. The existing income and house taxes supply instances of this. Being assessed only on the incomes and houses of the wealthier classes, they have more of the character of measures intended to confiscate a portion of the property of the latter for the benefit of the exempted classes, than of equitable contributions to the wants of the public. The oppressiveness of a system of this sort depends, of course, on the magnitude of the exclusive or peculiar burden falling on the overtaxed party. But, however small, the principle which it involves is radically vicious. And it is to be feared, should such partial taxes be continued, that they will be gradually, and perhaps not very slowly, extended, till the mischiefs of which they will not fail to be productive have made their suicidal character manifest to every one.

Those most disinclined to be reckoned in the class of Mammon-worshippers must acknowledge that riches are, in ninety-nine out of every hundred instances, the result of superior industry, enterprise, or frugality; of the exercise, in short, of the peculiar virtues which all wise governments endeavour to diffuse and encourage. And being so, their possessors might, could equality ever be lost sight of in such matters, not very unreasonably claim some concession in their favour. But, though no pretension of this sort can be admitted, their merits are not to be made a ground of offence; and they are at least entitled to the same treatment, and to be placed in a public point of view, on the same footing as others. While, therefore, it is right and proper that they should bear their proportional share of the public burdens, it is alike impolitic and unjust to call on them to bear more than their share. Practically, no doubt, it is impossible to subject all incomes to an income-tax. But, while its limitation to certain amounts renders it partial and unfair, it cannot be equally assessed even on the higher classes of incomes. Hence it should be unconditionally abolished. Resting as it does upon the most unsound and dangerous principles, its existence is the greatest, or rather the only great blot in our economical policy. Its defects become the more obvious when contrasted with duties on commodities, or on expenditure, which may be fairly assessed and easily collected; and which, when confined within moderate limits, promote industry and frugality; and generally occasion the production of a greater amount of wealth than is sufficient for their discharge.

It is only in countries in a comparatively low state of civilization that any very considerable amount of revenue is raised by direct taxes. There too they are usually assessed on land and houses, or other fixed property. There is, indeed, little else on which they can be assessed. But in countries advanced in manufactures and trade, they cannot be so limited. It is indispensable that they should be laid equally on those who have, whatever may be their source, equal means. And this being found to be impracticable, they have generally been rejected in such countries, or resorted to only to a very limited extent, or under some peculiar necessity.

We have shown that taxes can never be imposed on rent and profits with any reasonable fairness, and as these are principal sources of income it follows that an income tax cannot be made properly to apply to them. The difficulties in the way of subjecting all incomes to the same equal tax, are, in truth, quite insuperable. There are no means by which to learn the real amounts of the incomes of various important classes; and, supposing them to be known, their fair assessment would involve still greater difficulties. The inquiries too that are necessary, even to make a rude approximation to the incomes of those subject to the tax, are extremely offensive to the public. It is known indeed to everybody that the income tax is very extensively evaded, and that it occasions an immense amount of fraud and perjury.

But to enter into details with respect to this tax would far exceed the limits within which this work must be confined; and we, therefore, beg to refer the reader to the chapter on the subject in the 3rd edition of the Treatise on Taxation.

NOTE XXX.

TAXES ON RAW PRODUCE—TITHES.

THE question respecting the ultimate incidence of taxes on the raw produce of the soil is one of considerable nicety and difficulty. If land yielded no surplus to its possessors above the common and ordinary profit of the capital employed in its cultivation, the imposition of a tax on its produce, such, for example, as a tithe, would occasion an equivalent increase of price. The level of profit may be temporarily, but it cannot be permanently elevated or depressed in any particular branch of industry. And as there is no reason why agriculturists should content themselves with a reduced rate of profit, when those engaged in other employments obtain a higher rate, as soon as a tithe was imposed they would set about transferring a portion of their stock to some more lucrative business; and this transference would continue until the diminution of supply raised prices to their proper level, and restored the equilibrium of profit. In such a state of things, tithe would certainly make an equivalent addition to the price of raw produce. But after various qualities of soil have been brought under cultivation, and rents have been generally introduced, it is not so easy to trace the remote effect of tithes. They then appear to occasion a diminution of rent rather than a rise of prices. Farms which are free of tithe always bring a higher rent than such as are subject to that charge; and it is naturally concluded that, were tithes abolished, the depressed rents would be raised to the level of the others. For this reason, in an advanced stage of society, tithe has not been considered as increasing the price of raw produce to the consumer, but as *falling* on rent, and diverting a portion of it into the pockets of its rightful owners, the clergy and lay impropriators. "Taxes upon the produce of land," says Dr. Smith, "are in reality taxes upon rent, and, though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportional abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute, beforehand, what the church tithe, which is a land-tax of this kind, is, one year with another, likely to amount to." (*Antè*, p. 377.)

Clear, however, and conclusive as this statement appears on a first view, it is only *under certain conditions and limitations* that *it holds* good. It has been repeatedly shown that a very large proportion of the farm produce grown in every extensive country, is raised by means of capital laid out on the land in the view merely of obtaining the ordinary rate of profits at the time and without its yielding any rent. It must also be observed, that the cost of this portion of the required supply of farm produce determines the price of the rest; for this portion is raised under the most unfavourable circumstances; and unless its producers were repaid their expenses and profits, it would not be brought to market, and a scarcity would ensue. But when a tithe is imposed, it affects, of course, in common with others, the growers of this portion of the required supply. Inasmuch, however, as they pay no rent, it is clear they cannot throw the burden of tithe on a landlord; and as they would not continue in their business unless they obtained the same rate of profit as their neighbours, it appears unavoidably to follow, that either the price of corn must rise proportionally to the tithe, or that the former supply will no longer be brought to market.

This last is Mr. Ricardo's theory of the operation of tithe. But though exceedingly ingenious, the same remark is applicable to it as to Smith's, that it is only under certain conditions and restrictions that it is correct. It is clear, for example, that the effect ascribed by Ricardo to the levy of a tithe depends, 1st, on the demand for corn, or its consumption, remaining about the same after the imposition of the tithe as before; 2d, on the tithe being made to affect all, or nearly all, the land of a country; and, 3d, on its being exacted from such foreign corn as may be imported. If any one of these conditions be wanting, Ricardo's conclusions will be more or less vitiated; the tithe will not then occasion an equivalent increase of prices, nor fall wholly on the consumers.

1. Suppose, for the sake of illustration, that the mean price of corn in a country not affected by tithe, and which imports none from the foreigner, is 50*s.* a quarter; and suppose that a tithe, or duty of 10 per cent. is imposed on the corn raised in that country; were the demand for corn the same after the levy of the tithe as before, it is clear, on the principle already laid down, that its price would rise to 55*s.* But unless the consumption had been previously reduced to a *minimum*, it is not reasonable to suppose that the demand should continue the same; it might not, indeed, and, it is most probable, it would not be reduced in proportion to the tithe, but in some less proportion, as, perhaps, a twentieth part. Instead, therefore, of prices rising in exact proportion to the tithe, or 5*s.* a quarter, they would most likely rise to only half that amount, or 2*s.* 6*d.* But as this rise would not sufficiently indemnify the cultivators, they would relinquish, in some degree, the cultivation of inferior lands; and as rent is determined by the extent of land under cultivation, the result, on the *whole*, would be, that half the tithe would *fall on* the consumers, by a rise of prices, and the other half on the landlords, by a reduction of rents.

2. But suppose that the half only instead of the whole of a country is subject to tithe,

and let us endeavour to trace the effects it would then have. In this case, it is plain, inasmuch as only half the cultivators are affected by the tithe, that though, to escape its pressure, they should restrict their cultivation a tenth, the supply of corn would only be reduced a twentieth part; and prices, supposing the demand to continue stationary, would only rise in that proportion, or 5 per cent. They would not, however, rise to that extent; for every increase of price, however slight, has always some effect in lessening consumption. But to whatever extent prices might rise under the circumstances supposed, whether to a fourth or to a third part of the tithe, for they could not rise to half its amount, it is contended that this rise would, by extending cultivation over the untithed lands to the same extent that it is contracted on those that are tithed, raise the rents of the former proportionally to the diminution of those of the latter, so that the burden of the tithe would still principally fall on the public. But the truth is, that in a case of this sort it would be next to impossible to determine the practical operation, and influence of tithe with any degree of precision. If the various qualities of land were of limited extent, and each differed by a well-defined outline from the immediately contiguous qualities, the previous conclusion would hold good. Such, however, is not really the case. Lands of different qualities differ from each other, like the colours in the rainbow, by imperceptible degrees. Whatever, therefore, may be the limit to which tillage is carried at any given moment in an extensive country, the least rise of price is sufficient to make lands of the next degree of fertility be brought under tillage, or to make additional capital be laid out on the old land, or both. But it is extremely doubtful whether so trifling a rise of prices as would be caused by the imposition of a tithe, would, under the circumstances supposed, have any sensible effect on the rent of the untithed land.

It is needless to waste the reader's time by endeavouring to prove, that if a country subject to a tithe be in the habit of importing a considerable supply of foreign corn duty-free, such importation will throw the burden of the tithe wholly on the landlords. Every one must see that in such case, the home cultivators being unable to limit the quantity of produce brought to market, the tithe will have no influence over prices.

According to the returns obtained under the income tax act, the total annual value of all the land of England and Wales, in 1815, is estimated at 29,476,840*l.*; of which lands of the annual value of 9,904,378*l.* were wholly tithe-free, while lands of the annual value of 856,183*l.* were tithe-free in part, and other lands of the annual value of 498,843*l.* paid only a low modus. So far, therefore, is it from being true that all, or nearly all the land of England and Wales pays tithe, that it appears that about a third part is exempted from this burden; and if to the tithe free land of England and Wales we add the whole of Scotland, it may be safely affirmed that more than half the cultivated land of Great Britain is unaffected by tithe. It is obvious, therefore, for the reasons already stated, that tithe in England, supposing it had no influence over consumption, and that foreign corn was excluded, or charged with a duty, could only raise prices a *twentieth* part, or 5 per cent. But, inasmuch as it would somewhat lessen consumption, it would, under the circumstances, most probably fall, in about equal portions, on the landlords and the public; and were it not for the mode in which it is imposed, it would not have been sensibly felt by either.

The truth is, that tithe is much more injurious from its indirect operation and more unpopular from the mode in which it is assessed, than from the magnitude of the burden it really lays on the public. It is imposed and collected in the most vexatious and irritating manner; and has, in consequence, an incomparably greater effect in discouraging industry and exciting discontent than many heavier, but more judiciously assessed, taxes. It is said, by its apologists, to have the same effect, in as far as the interests of the farmers are concerned, as an equivalent amount of rent. But this is a most fallacious statement. Rent, when once fixed, continues the same during the currency of the lease. Though an industrious and enterprising farmer should raise ten times the quantity of produce raised by a sluggard, his rent would not therefore be increased; and he would reap, as he ought, all the advantage of his greater industry and intelligence. Such, however, is not the case with tithes. To the sluggard they are invariable, to the industrious man they become more and more oppressive, and increase with every fresh outlay of capital and labour. It is indisputable, therefore, that tithes operate practically as a premium on idleness, and as a heavy and constantly increasing tax on industry. By preventing the cultivator from reaping the entire advantage of superior skill and increased exertion, they discourage his efforts, and contribute to render him indolent and indifferent. A farmer pays his rent willingly to the landlord; but he considers the clergyman as an interloper, who, without having contributed in any way to raise the crop, claims a tenth part of its gross amount. The occupier of a farm, subject to this vexatious charge, never considers himself as realising the same rate of profit on his capital, as his neighbours in tithe-free farms; and so strong is this feeling, that Mr. Stevenson, the well-informed author of the Survey of Surrey, states it is the common opinion in that county that a farm tithe-free is better worth 20*s.* an acre than a tithed farm, equally favoured in soil and situation, is worth 13*s.* In this way tithes contribute indirectly and directly to raise prices—indirectly, by generating an indisposition to apply fresh capital to the improvement of the soil—and directly, by the positive addition they make to the expense of cultivating bad land.

Dr. Paley, who cannot certainly be reck-

oned unfavourable to the real interests of the church, says, that "of all institutions adverse to cultivation and improvement, *none is so noxious as that of tithes.* A claimant here enters into the produce, who contributed no assistance whatever to the production. When years, perhaps, of care and toil have matured an improvement; when the husbandman sees new crops ripening to his skill and industry; the moment he is ready to put his sickle to the grain, he finds himself compelled to divide his harvest with a stranger. Tithes are a tax not only upon industry, but upon that industry which feeds mankind; upon that species of exertion which it is the aim of all wise laws to cherish and promote."[1]

A just sense of the injurious influence of tithes in obstructing agricultural improvement and involving the clergy in unseemly contests with their parishioners, had long excited a general wish among well-informed parties for their commutation; and this has been effected under the provisions of the stat. 6 and 7 Will. IV. cap. 71. This act directed that the average value of the tithes in each parish during the seven years ending with 1835 should be ascertained, and distributed into equivalent quantities of wheat, barley, and oats, which are made a fixed and invariable rent charge upon the land; and the clergy are to receive the value of these quantities in all time to come, according to the current prices of the day. By this means the clergy are liable only to fluctuations in the value of corn; and to these they would have been liable though no commutation had been effected. Commissioners were appointed to carry the act into execution, and the tithes in the great majority of parishes have been commuted, conformably to its stipulations.

Now that the commutation has been completed, the invariable corn rent laid on the land is a new and strongly marked feature in our domestic economy. Had tithe been commuted a century, or even half a century since, it would have been a different matter. But considering the very advanced and peculiar situation of the country at the æra of the commutation, and the fact that our average prices had been for many years considerably above those of the contiguous continental states, it is pretty evident, in the event of our prices falling to a greater extent than was anticipated, that the fixed corn rent due to the tithe owners might have a very injurious influence over the interests of agriculture, and consequently over those of the public. We do not, however, think that there is much chance of these unfavourable anticipations being realised. But if they should, the commutation charge may be reduced, or an adequate countervailing duty be laid on foreign corn.

[1] Moral and Political Philosophy, chap. xi. *in fin.*

NOTE XXXI.

AD VALOREM TAXES.

It was supposed, previously to the publication of the first edition of this work, that equal *ad valorem* duties on all commodities, by affecting them to the same extent, would not in any degree modify or change the relation or proportion which they previously bore to each other.[1] But though such duties would equally affect commodities, they would not equally affect the profits of their producers; and it is by the degree in which the latter are affected that the relation of commodities to each other is determined. If all classes of producers employed the same proportions of fixed and circulating capital,[2] then it is plain that the same *ad valorem* duty on their products, by pressing equally on them all, would have no influence over their comparative values. But this is not the actual state of things. The capital employed by one class of producers may be of the least, while that employed by another class may be of the most perishable description. And even in the same class the proportions of fixed and circulating capitals, or of hand labour and machinery, employed by different individuals, differs widely according to the scale on which they carry on business, and a variety of other circumstances. Hence, were an equal *ad valorem* duty laid on parties so very differently situated, it would necessarily, by affecting their profits very differently, occasion a transfer of capital from one business to another, and a variation in the price of commodities, raising some and sinking others. To illustrate this, assuming that profits are 10 per cent., let it be supposed, first, that A advances 1,000*l.* in wages at the commencement of the year, and that, at its close, he receives produce in return, which must, by the supposition, be worth 1,100*l.*; second, let it be supposed that B has a capital of 11,000*l.*, vested in a highly durable machine, which performs its work without any, or with but so little help from manual labour that it may be left out of view; the annual produce of this machine being necessarily, under the circumstances, wholly, or almost wholly, made up of profits, and worth, also, about 1,100*l.*; and lastly, let it be supposed, that an *ad valorem* duty of 10 per cent. is laid on all commodities. Now, it is plain, that in this case A and B will each bring, at the end of the year, produce valued at about 1,100*l.* to market, and will therefore be respectively taxed 110*l.* But only 100*l.* of the value of A's goods consists of profits, the rest being the equivalent of the wages paid to those by whom they were produced; whereas the whole value of B's goods consists of profits. Hence it is clear, that while the duty would

[1] See Mill's Elem. of Polit. Econ., 2nd ed. p. 271.

[2] It is, of course, taken for granted that the fixed capital are of the same degree of durability, and that the circulating capitals are returnable in the same periods.

entirely swallow up A's profits and 10*l.* of his capital, it would only take 10 per cent. of B's profits. We have purposely chosen a case which sets the unequal operation of the tax in a striking point of view; but whenever there was any considerable difference in the proportions of fixed and circulating capital employed in different businesses, an *ad valorem* duty would operate in the way now pointed out. It would, therefore, be among the most unequal and mischievous duties which could be imposed. It would cause an immediate disturbance in all the channels of industry, and a change in the values of most descriptions of commodities. Capital would be driven from employments, principally carried on by hand to those principally carried on by machinery; and while the value of the articles produced by the former would rise, the value of those produced by the latter would fall, until they were adjusted so as to yield the same rate of profit.

It may also be observed, that though the determination of the incidence of *ad valorem* duties on all articles be of considerable importance in a theoretical point of view, it can never be brought to any practical test. Such duties may be imposed with considerable fairness on some of the commodities imported from abroad. But though they were as desirable as they are otherwise, it is out of the question to suppose that they should ever be fairly assessed on the infinite variety of commodities produced within any extensive country. The greatest imaginable number of officers would not suffice, either to impose or collect such duties.

Even as respects imported commodities, the obstacles in the way of assessing *ad valorem* duties are not easily overcome. It is very difficult to learn either what most articles cost or what they are worth at the present moment. If the determination of such a point were left to the importer, he might, to save the duty, undervalue the articles; while, if it were left to the officer, he might overvalue them. It is sometimes the practice, when articles are entered at value, and charged with *ad valorem* duties, to authorize the officers, if they suspect the articles are undervalued, to take them on account of government at the price entered, adding a reasonable profit for the merchant. But a plan of this sort is very liable to abuse, and especially to collusion between the importers and the officers. Probably no *ad valorem* duty was ever so fairly assessed and easily collected as that on tea previously to the abolition of the East India Company's monopoly. All sorts of tea were then exposed to public sale in London; a duty of 96 per cent. being charged upon such as sold under 2*s.* per pound, and of 100 per cent. on such as sold at 2*s.* per pound and upwards; so that there was no room for fraud or favouritism. But after the abolition of the Company's monopoly, when everybody might import teas into the outports as well as into the metropolis, and dispose of them at pleasure, the former system for the assessment of the duties could no longer be acted upon. And the difficulties in the way of distinguishing the varieties of tea, and of assessing specified duties thereon, were either such, or alleged to be such, as to occasion the abandonment of the latter, and the imposition of the same duty on all sorts of tea.

It has often been proposed to impose *ad valorem* duties on wine; and were it practicable it would be a very desirable arrangement. There is the greatest difference in the qualities and values of different wines. And it is against all principle to subject the inferior sorts to the same rate of duty that is laid on the finest champagne and burgundy. But however desirable, the difficulties in the way of assessing *ad valorem* duties on wine with any degree of fairness are such that it is not very likely they will ever be overcome. It is often no easy matter to discriminate between entirely different kinds of wine, and it is still more difficult to discriminate between different varieties of the same wine. Were the attempt made, a great deal would have to be left (where nothing ever should be left) to the discretion of the officers; and there is good reason to think that the frauds thence arising would more than countervail any advantage to be derived from the adoption of the principle.

Where the practice of charging *ad valorem* duties is at all common, it is not unusual to fix an arbitrary value on most articles, and to rate the duty accordingly. But however accurate at first, valuations of this sort become, in no long time, very wide of the mark, from the changes which are perpetually occurring in the cost and value of commodities; though, as perfect accuracy in matters of this sort is unattainable, we incline to think, wherever the differences between articles, subject to *ad valorem* duties, are distinctly marked, that this is the preferable plan for their assessment. The valuations might be revised every ten or twelve years, and the discrepancies between them and the real value of the goods would, in that case, be seldom very considerable. It will always, however, be found to be next to impossible fairly to assess *ad valorem* duties in the cases in which they would otherwise be most desirable; that is, in the case of articles of the same species, such as corn, wines, tea, sugars, silk goods, &c., the qualities and values of different varieties of which, though distinguished with difficulty, differ very greatly.

NOTE XXXII.

HIGHWAYS.—TOLLS.—RAILWAYS.

Dr. Smith, though he has not expressed himself explicitly on the subject, seems to have inclined to the opinion that roads would be better and more economically managed, were they placed under the control of government, than if left to be planned and superintended by private individuals. (*Ante*, p. 327.) But

this opinion appears to be of a very questionable character. It is, perhaps, true that the great roads between the principal towns would be better laid out were the surveyors appointed by government rather than by the gentlemen of the different counties through which they pass. But these great roads bear but a small proportion to the total extent of the roads by which every populous country either is or should be intersected. And, besides, it is abundantly certain that when the formation of the great roads is left to the care of those who, either by themselves or their tenants, have to defray the greater part of the expense of their construction and repair, they will be managed, if not with greater skill, at least with more economy, than if they were intrusted to the agents of government. M. Dupin has set this matter in the clearest point of view in the remarks he has made on the comparative administration of the roads in Great Britain and France. In the latter they are entirely under the control of government; and the consequence is, that while there is a useless expenditure upon a few great roads, the cross roads are almost entirely neglected, and the facilities of internal communication are incomparably inferior to ours. But it is unnecessary to go to France for proofs of this principle. The history of the Caledonian canal, and of the various public works constructed in Ireland under the supervision of government engineers, affords abundant evidence of the correctness of M. Dupin's views.

It appears from a paper printed by order of the House of Commons in 1843, that the length of the different paved streets and turnpike roads in England and Wales amounted at that time to about 23,000, and the length of the other highways to about 104,000 miles. The total expenditure on the different roads in the same part of the empire in 1841 was 1,551,336*l.*, and the aggregate income 1,574,518*l.*, leaving a balance of revenue over expenditure of 23,182*l.*

Since 1776, when the Wealth of Nations was published, a wonderful change has taken place in the facilities of communication, not only between different parts of this country, but also, though in a less degree, of most other countries. This has been a consequence partly of improvements effected in the high roads, partly of the multiplication of canals, and partly and principally of the application of steam to the propelling of vessels, and of carriages on railways. The construction of the latter, and the employment on them of locomotive engines, have been productive of the most extraordinary results. They have gone far, indeed, to strike time and space out of the calculations of the traveller, and have enabled railway carriages to outstrip the winds in the fleetness of their course. The cheapness, too, the ease, and we may add, the security of this new mode of travelling, are hardly less marvellous than its expedition. The number of travellers has, in consequence, been prodigiously augmented; and Smith's remark, that "Man is the least transportable species of luggage," would now be singularly inapplicable. The principal railways, such as those leading from the metropolis to Manchester and Glasgow, York and Edinburgh, Bristol and Exeter, Portsmouth, &c., are gigantic undertakings, and are not more remarkable for the science and practical skill displayed in their construction and working than for the vast sums expended upon them.

This facility of communication has nearly equalised the prices of similar articles in all parts of the country. Local habits, prejudices, and peculiarities of all sorts, are fast disappearing. The race of *originals* is all but extinct. A respectable family in Penzance or Inverness live almost exactly in the same style as a respectable family in London. Every thing is brought to a level. The fashions and the opinions of the metropolis are immediately diffused over the country; while those that originate in the latter powerfully influence the former. And as the facilities of intercourse are extended with foreign countries, national prejudices and antipathies will be softened, and the securities for the continuance of peace and the progress of commerce will be proportionally increased. Subjoined is an

Account showing the Total Length, Capital, Passengers conveyed, Receipts and Working Expenses of the various Railways in the United Kingdom in each Year from 1847 to 1860, both inclusive.

YEARS.	Length of Lines open at the End of Year.	Total Capital Paid up (Shares, Loans, &c.)	Passengers conveyed (including Season Ticket Holders).	Total of Traffic Receipts.		Total of Working Expenses.	Nett Receipts.
				Total.	Per Mile.		
	Miles.	£	No.	£	£	£	£
1847	3,945	166,938,241	51,532,163	8,510,886	2,157		
1848	5,127	200,173,059	57,390,070	9,811,552	1,937		
1849	6,031	229,747,778	63,241,209	11,200,498	1,857	Cannot be given previous to 1854.	
1850	6,621	240,271,745	72,854,422	13,204,668	1,994		
1851	6,890	244,240,809	83,191,668	14,066,450	2,176		
1852	7,148	254,185,672	80,185,726	15,710,554	2,141		
1853	7,686	263,224,714	102,228,960	18,035,879	2,346		
1854	8,054	286,0[illegible],704	111,[illegible],707	20,215,724	2,510	9,240,235	11,009,510
1855	8,290	297,584,[illegible],00	118,20[illegible],135	21,507,899	2,597	10,[illegible],780	11[illegible],780
1856	8,707	307,[illegible],01	129,[illegible],193	23,165,191	2,660	10,[illegible],456	12[illegible],671
1857	9,004	315,1[illegible],258	131,000,[illegible],38	24,171,610	2,659	11,[illegible],086	12,[illegible],524
1858	9,542	325,375,507	130,193,[illegible],09	25,056,749	2,516	(Not ascertained.)	
1859	10,043	334,[illegible],028	140[illegible],7,148	25,[illegible],803	2,573	13,187,[illegible],68	14,570,284
1860	10,433	348,[illegible],127	163,[illegible],72	27,700,[illegible],29	2,661		

But,

——"medio de fonte leporum
Surgit amari aliquid,"——

The construction of railways occasioned, or, at all events, was accompanied by, an amount of gambling, fraud, and embezzlement, unparalleled in the annals of industry, and highly disgraceful to the national cha racter. These odious practices which happily were in most instances ruinous to the parties engaged in them, have, however, been to a considerable extent put down; and when this desirable consummation has been fully effected, the country will enjoy the advantages of the railway system, without the corruption and villany with which it has been so largely alloyed.

But the consequences of the recklessness with which railway undertakings have been entered into and carried on, and the waste thence arising, will not be easily got rid of. And these, and the nefarious practices alluded to, are the great causes that have rendered works of great public utility generally but little profitable to the *bonâ fide* shareholders. No doubt, however, the condition of the latter will improve with the improving circumstances of the country, and with the more efficient management to which it may be presumed railways will be gradually subjected.

NOTE XXXIII.

ADVANTAGES AND DISADVANTAGES OF THE FUNDING SYSTEM, COMPARED WITH THE PLAN FOR RAISING THE SUPPLIES FOR A WAR WITHIN THE YEAR, BY A CORRESPONDING INCREASE OF TAXATION.—SINKING FUND.

THE expenses necessarily incurred in conducting the government of a civilised nation in time of peace, rarely exceed its ordinary revenue. In time of war, however, the case is usually very different. When the independence and honour of a nation are at stake, proportional sacrifices must be made to maintain them. Hostile aggression and insult must be opposed and avenged; but to do this, extraordinary funds are necessary; and the inquiry, how they may be most advantageously provided, is plainly one of the highest importance.

It was the common practice of antiquity to make provision in times of peace for the necessities of war, and to hoard up treasure beforehand, as the instrument either of conquest or defence, without trusting to extraordinary imposts, much less to borrowing, in periods of disorder and confusion. In modern times, this practice has been followed by the Canton of Berne, by Frederick the Great of Prussia, and a few other princes; and its policy has been commended by Hume. But Hume overlooked the fact of its being necessary, in order to form such a treasure, to withdraw capital from productive employments. And such being the case, its accumulation, by diminishing the industry, and, consequently, the wealth and population of the accumulating country, evidently tends to render it less powerful. For these and other reasons, this practice is now generally admitted to have been founded on erroneous principles; and modern politicians and economists seem to be universally of opinion, that the increased expenditure occasioned by a war should be defrayed either by a proportional increase of taxation, or partly by that means and partly by loans.

The question, which of these modes should be adopted, has been long and warmly discussed, and has given rise to the most contradictory statements. But this has arisen more from the partisan spirit displayed by those who have carried on the discussion, than from any real difficulty inherent in the subject. Neither party seems to have taken any very comprehensive view of the different bearings and incidences of the question. Proceeding on some general principle, which was perhaps doubtful in itself, and which, at all events, did not admit, in such a case, of being carried to an extreme, they have established either that the one or the other mode of providing for any extraordinary expenditure should be exclusively adopted. But it will be found that this is a question of balanced difficulties, and in which much depends on circumstances. At one time an increase of taxation may be the preferable mode of raising the supplies, while at another they should be raised by loan. On occasions when either plan may be adopted with tolerable facility and without danger, it would seem, for the reasons that will be immediately stated, that an increase of taxation should be preferred. It must, however, be acknowledged, that taxation cannot be safely increased except by the well established government of a country capable of bearing a sudden and considerable augmentation of its burdens. When the government is insecure, or the country is already heavily burdened, a loan would seem to be the least hazardous way in which an emergency may be met.

If the facility with which money may be obtained were the only circumstance to be attended to in comparing the borrowing system with the plan for raising the supplies within the year by a corresponding increase of taxation, the preference would, in every case, have to be given to the former. The regularity with which the interest is paid, the facility with which the right to receive it may be disposed of, and the hope which every one's confidence

in his own good fortune leads him to entertain of profiting by fluctuations in the price of the funds, make capitalists eager to accommodate governments with loans, and enable them to obtain the largest supplies on the shortest notice, and with very little difficulty. The public, on their part, are equally well pleased with this system. Instead of being called upon to advance a large sum in taxes, they are only taxed to pay the interest of that sum. A burden of this limited extent, as it obliges no one to make any considerable additional exertion, or sensibly to reduce his expenditure, is generally submitted to without a murmur. Such a mode of providing for the expenses of a war, seems to divest it of half its privations and hardships; and we cease to be surprised that governments should have so universally resorted to a system which, while it furnishes them with the largest supplies, is so popular with their subjects.

But the merits of the funding system are not to be determined merely by the facility which it affords for raising supplies. This certainly is a consideration which should not be overlooked; but there are others of yet greater importance. The real influence of a financial operation can never be ascertained by looking only to its immediate effects. We must extend our observations to those that are more remote, and endeavour, if possible, to trace its permanent and ultimate influence. Now, if we do this—if we attend, not to the transitory only, but also to the lasting effects of the funding system, we shall find that the facility which it affords of raising supplies, though sometimes an advantage, is, sometimes also, one of its principal defects. It is visionary to suppose that any scheme for defraying war expenditure should ever be proposed, capable of protecting individuals from the losses and privations inseparable from national struggles. However just and necessary, a war is always in itself an evil of the first magnitude; and every nation which has the misfortune to be involved in it, must sooner or later experience the pernicious effects of the destruction of capital, or of the means of future production, which it rarely fails to occasion. Now, it is clear that no scheme of finance can be bottomed on sound principles, which disguises these necessary consequences of war, and deceives the public with regard to their real situation. This, however, is notoriously the case with the funding system. It is truly said, to require no extraordinary sacrifices at any particular period; and in this respect it bears a close resemblance to those most dangerous diseases which steal slowly and imperceptibly on the human constitution, and do not discover their malignant symptoms until they have fastened on the vitals, and vitiated the whole animal economy. There are no means by which the profusion and waste occasioned by a war can be countervailed, except by a greater degree of industry, and the prevalence of a severer spirit of economy among individuals; and these will be more likely to be practised, according as every one is made better aware of the real influence of war expenditure on his private fortune. The radical defect of the borrowing system consists in its deceiving the public on this point, and in its making no sudden encroachments on their comforts. Its approaches are gradual, and almost unperceived. It requires only small immediate sacrifices. But it never relinquishes what it has once gained; while the necessity for fresh sacrifices, arising as well from their own, as from the ambition, injustice, and folly of their neighbours, continues as great as ever. Such a system is essentially delusive and treacherous. It requires the continued increase of taxes; and before the public are awakened from their trance, and become aware of their actual condition, their property and industry are probably encumbered with a much larger permanent payment, on account of the *interest* of the public debt, than would have been required had they submitted to it at once, to defray the whole expenses of the war.

Should a war cost twenty millions a year, it may perhaps be said that it is indifferent, provided the rate of interest be 5 per cent., whether we pay the twenty millions at once by a proportional increase of taxation, or borrow them, and pay the lenders an interminable annuity of a million a-year; inasmuch as when interest is at 5 per cent., twenty millions in one payment, and an interminable annuity of a million, are of precisely the same value. But it is because these two modes of defraying war expenditure never have been, and never will be, considered equally expensive by the public, that the funding system is injurious. Suppose that the supplies are raised within the year, and that the share falling to a particular individual is 1,000*l.*: the wish to maintain himself in his former station, and to preserve his fortune unimpaired, would most probably stimulate him, on being called upon for this sum, to endeavour to discharge it, partly by an increase of exertion, and partly by a saving from expenditure, without suffering it to continue to encumber his property. But, by the system of loans, he is called upon to pay only the interest of this 1,000*l.*, or 50*l.* a year; and instead of endeavouring to save the whole 1,000*l.*, he is satisfied if he save the interest. The whole nation, acting in this way, save only the interest of the loan, or *one* million, and allow the principal sum of *twenty* millions, which they would have either wholly or partly saved had they been called upon to pay it immediately, to remain as a mortgage on their property and industry. Men act thus, because they invariably reckon a war burdensome in proportion only to what they are at the moment called upon to pay for it in taxes, without reflecting on their probable duration. It would be a hopeless un-

dertaking to attempt to convince any one that a perpetual payment of 50*l.* a-year is as burdensome as a single payment of 1,000*l.* We entertain a vague idea that some future accident or revolution will relieve our properties from the burden of the perpetual payment; and, at all events, we consider it as certain that the greater portion of it will have to be defrayed by posterity. Indeed, this very circumstance of its throwing a portion of the expense of every contest on posterity, or its distributing, as it is called, its expense equally over a lengthened period, is one of the arguments principally relied on by the advocates of the funding system. But it is easy to see that it is wholly fallacious; and that the more the interests of posterity are protected, without injuring those of the present generation, so much the better. The plan for raising the supplies within the year would be advantageous to all parties, by generating an additional spirit of industry and economy. And though it had no such influence, its adoption could do no possible harm either to the present or the future generation. It is obviously indifferent whether an individual whose share of the expenses of a war amounts to 1,000*l.*, pays it at once, and leaves his heir 1,000*l.* less, or does not pay it, and leaves him 1,000*l.* more, subject to a constant charge of 50*l.* a year. Hence the peculiar advantage of the plan for raising the supplies within the year, consists in this, that while it entails no greater burden on individuals than the system of borrowing, and gives full liberty to every one who is so disposed, to remove a part of that burden from his own shoulders to those of his successors, it tends to make the public less inclined to avail themselves of this power, and more disposed to make immediate sacrifices, and to become industrious and parsimonious. It is an error to suppose that it protects the interests of posterity, by laying any heavier burden on the existing generation; it protects them only by giving additional force to the accumulating principle, and by stimulating individuals to maintain themselves in their station, and to preserve their capital undiminished.

Here, then, is the distinguishing criterion of the two systems. The funding system occasions only so much additional exertion and economy as may be required to produce and save the *interest* of the capital spent in warlike operations; whereas the system of raising the supplies within the year gives greater force and activity to this spirit, by stimulating the public to produce and save a sum equivalent, not to the interest only, but to the entire CAPITAL that has been spent. If, therefore, the question, with regard to the merits of the two systems, be decided by a comparison of their respective influence over national wealth—and this is admitted by Gentz, the ablest defender of the funding system, to be the first consideration, and that which should always have most weight—there can be no manner of doubt that the preference must be given to the plan for raising the supplies within the year.

Not only, however, would the raising the supplies for a war within the year by means of additional taxes, add increased efficacy to industry and economy, but it would also, by making the public feel its whole pressure at once, render them less disposed wantonly to engage in expensive contests, and more disposed to embrace the earliest opportunity of making peace on fair and honourable terms. To a nation who defrayed all her extraordinary expenses by a corresponding increase of taxation peace might be emphatically said to bring "healing under her wings." As soon as the period of extraordinary exertion had ceased, the taxes imposed to meet it would also cease. Prices would fall back to their natural level, and industry, relieved from the burdens of the war, would spring forward with renewed energy. Had we always acted on this system, our taxes could hardly at this moment have exceeded ten or twelve millions a year. And it is reasonable to suppose, had such been the case, that we should have been more powerful; more able to resist any attacks on our own freedom and independence; and to interpose with more effect in defence of the liberties of others.

But how conclusive soever these statements and reasonings may appear, it is yet true that some very weighty objections may be made to the plan for raising the supplies within the year; and that its superiority to the funding system is not by any means so decided as we might be at first disposed to conclude. Among other objections to this plan, it has been said that it would be extremely oppressive on landlords and manufacturers, who are not generally possessed of large sums of ready money, were they obliged to make an immediate contribution of their entire share of the expenses of a war. Suppose, for example, that a manufacturer's share of this expense amounts to 500*l.*, and suppose further, that he can neither save this sum from his expenditure, nor withdraw it without great loss from his business; the advantage of the funding system consists, we are told, in its relieving him from the necessity of making this payment, and enabling him to carry on his business as before, subject only to a deduction of 25*l.* a-year from his profits. But a little consideration will serve to show that this advantage, though not inconsiderable, has been overrated. If it be asked, how does the practice of funding relieve the manufacturer from the necessity of making an immediate payment of 500*l.*? the answer is, by government or its agents going into the money market, and borrowing 500*l.* on his account, with the interest of which he is charged. And it may, therefore, be inferred that, had this practice been abolished, the manufacturer would have done that directly which he has done by deputy—that he would have gone into the market himself and borrowed the

same sum. "That there are persons disposed to lend to individuals," says Mr. Ricardo, who has laid great stress on this argument, "is evident from the facility with which government raises its loans. Withdraw this great borrower from the market, and private borrowers would be readily accommodated. By wise regulations, and good laws, the greatest facilities and security might be afforded to individuals in such transactions. In the case of a loan, A. advances the money, and B. pays the interest, and every thing else remains as before. In the case of war taxes, A. would still advance the money, and B. pays the interest, only with this difference, he would pay it directly to A.; now he pays it to government, and government pays it to A."[1]

We cannot, however, help thinking that Ricardo has in this instance pushed an argument, good within certain limits, to an extent that will not hold. When government goes into the money market, and contracts for a loan, it borrows, it is true, for those who would otherwise have to borrow for themselves; but it does not negotiate a separate loan on account of each individual—it borrows for them in a mass, and pledges the national credit in security for the entire loan. The sums raised on account of those whose security is comparatively indifferent, are consequently obtained on the best terms; and the total payment for interest is considerably less than it would have been had a series of loans been contracted by private individuals. In this respect, therefore, the system of funding is preferable to the plan for raising the supplies within the year.

Undoubtedly, however, the principal argument against the plan for raising the supplies within the year, and in favour of the funding system, is to be found in its obviating the necessity of making any sudden or oppressive addition to the weight of taxation. It is difficult to say how much the taxes imposed on a country may be augmented, provided due care be taken in their selection and assessment without their operating injuriously on industry; but a great and immediate increase of taxation would, most likely, produce a dangerous revulsion, and give a serious shock to industry. To fit a country for bearing a heavy load of taxes, they should be gradually, and, if possible, slowly increased. A moderate increase of taxation infuses a greater spirit of economy into the people, and becomes a spur to industry and invention; whereas its sudden and great increase has generally an opposite effect, and instead of producing increased exertion and frugality, occasions the decline of both. It is obvious, therefore, that the policy of raising the supplies for a war by means of a loan, or by an equivalent increase of taxation, cannot be decided on general principles, but must always be determined by reference to the state of the country at the time. Whenever there is no risk of prejudicing industry, by increasing taxation, that plan should be preferred; and though a loan should be required, to obviate too rapid an increase of taxation, the inconveniences attending the accumulation of debt are so very great, that every practicable effort should be made to raise the revenue to the highest limit to which it can be safely carried; and to make it defray a part at least, if not the whole, of the extraordinary expenditure. All wars occasion the destruction of capital; and the question is, whether will this destruction be sooner repaired by a corresponding increase of taxation, or by resorting to loans? Now, it is plain, that if taxation may be increased to the level of war expenditure, without provoking discontent, or inflicting any material injury upon industry, the serious disadvantages that result, as already seen, from the borrowing or funding system, will be obviated without any countervailing drawback. The expenses of the war would, in such case, be directly distributed among the inhabitants, in proportion to their respective abilities. Of these the great majority would have little difficulty in at once paying off their shares; while the loans contracted by those who might require to borrow, would be the private debts of the parties, and would, consequently, in the great majority of cases, be forthwith put into a state of liquidation. In a case of this sort, the real influence of war expenditure over the means and well-being of individuals, would be made obvious. The deception caused by funding would be avoided. What is a national burden being distributed among the individuals comprised in the nation, each would have a plain and distinct motive to exert himself to preserve his property or industry, or both, unimpaired and unencumbered. But by adopting the system of national loans, the debt is made an aggregate burden, affecting the public only. And individuals looking only to the enormous mass of 700 or 800 millions, and ignorant of the portion peculiar to themselves, never once dream of its payment, except perhaps through the delusive agency of sham sinking funds.

The fact that two such able and ingenious inquirers as Hume and Smith, should have entertained the strongest apprehensions of the mischievous influence of the public debt, when it was hardly a tenth part of what it now amounts to; and that, notwithstanding its vast increase in the interval, the wealth and population of the country should have increased still more rapidly, has naturally enough generated a disposition to look with distrust on all such sinister auguries. It does not, however, appear that Hume and Smith formed any false estimate of the influence of a large public debt, but only that they did not lay sufficient stress on the circumstances by which that influence might be

1 Art. *Funding System*, Supplement to the Encyclopædia Britannica, vol. iv. p. 422.

(and by which, in the case of England, it has been) countervailed. None of them made sufficient allowance for the possible effects of new inventions, and improved methods of production, in enabling a nation to support additional taxes; and none of them, though in this respect Hume was the clearer sighted of the two, was sufficiently alive to the powerful influence which an increase of taxation has in adding new strength to enterprise and economy. The stupendous inventions and discoveries of Watt, Arkwright, Crompton, Wedgwood, and others, have hitherto falsified all the predictions of those who anticipated national ruin and bankruptcy from the increase of the public debt; but these inventions and discoveries might never have been made, but for the stimulus given to the public energies by the increase of taxation that grew out of the funding system; and though they had been made, there is no reason to suppose that they would have been so rapidly introduced, or that they would have been so much perfected and improved in so short a period in the absence of this stimulus. It is impossible, perhaps, in estimating the progress of this country since 1760, to say how much is to be ascribed to the desire of rising in the world, and how much to the fear of being thrown down to a lower station by the increase of taxes. But it would not, we believe, be difficult to show that the latter has had the greater influence of the two.

But, despite the powerful countervailing influences now alluded to, there can, we apprehend, be little doubt, that we have carried the practice of funding to a vicious excess; and that a much larger portion of the sums required to carry on the American war, and the first half of the late French war, should have been raised by taxation. Probably, indeed, the facility of defraying any extraordinary expense by means of funding, and the temptations which it consequently holds out to ministers to resort to it, rather than encounter the clamour usually occasioned by the imposition of any considerable amount of taxes, is the greatest drawback on the practice. It is, in fact, almost sure to be abused. "It would scarcely," says Hume, "be more imprudent to give a prodigal son a credit in every banking shop in London, than to empower a statesman to draw bills in this manner upon posterity."[1]

When, however, there are reasonable grounds for fearing that such an increase of taxation as would be required to defray the whole or any considerable portion of the war expenditure, would be injurious to industry, loans should be resorted to. Political considerations may also force recourse to be had to them. An increase of taxation is always unpopular; and a weak or insecure government might not have power to levy any considerable additional amount of taxes, however able a country might be to bear their pressure. The rise of the funding system in Great Britain was mainly ascribable to circumstances of the kind now mentioned. It began under William III., who, in this respect, was said to have imitated the practice of the Dutch. But the contraction of debt was not at that period a matter of choice but of necessity. Our great deliverer might truly have said,

> "Res dura, et regni novitas me talia cogunt
> Moliri."——

Louis XIV., then in the zenith of his power, espoused the cause of the exiled family of Stuart, which was also abetted by a powerful party at home. To have imposed, in this state of things, fresh taxes, sufficient to defray the heavy expense of the contest in which we were soon after involved, would have been most impolitic; inasmuch as it would have given the Jacobites an opportunity of traducing the new government, of inflaming popular discontents, and perhaps of overturning the revolutionary establishment. The error did not consist in funding during the reigns of William III., Anne, and George I., but in continuing the practice, without any material abatement, after the revolutionary government had been firmly established; and when, there is every reason to think, a considerably larger portion of the war expenditure might have been provided for by increased taxation.

During the infancy of the funding system the interest stipulated for loans was very various; but in the reign of George II., a different practice was adopted. Instead of varying the interest to be paid upon loans according to the state of the money market at the time, government generally borrowed at a uniform rate of interest and made the variations in the amount of the stock funded. Thus, supposing the market rate of interest to be 4½ per cent., and that government wished to borrow in a 3 per cent. stock, they effected their object by giving the lender 150*l.* 3 per cent. stock for every 100*l.* advanced. Had the uniform rate of interest fixed upon by the government been about equal to or rather above the market rate of interest when the loans were contracted, this practice would not have been at all objectionable. But it was quite the reverse; the rate at which loans were usually funded being 3 per cent., while the market rate of interest during the American and last French wars, when the great bulk of the debt was contracted, varied from 4½ to 5½ and 6 per cent. This occasioned a corresponding increase of the capital of the funded debt, and has been in all respects most injurious. The rate of interest has so fallen since the peace, that the interest on the 5 per cent. 4½ and 4 per cent. stocks has been universally reduced, the highest being now only 3 per

[1] Essay on Public Credit.

cent.[1] But though the interest paid on 3 per cent. stock since 1776 be really as high, in consequence of the factitious increase of the sums funded, as any of the stocks now mentioned, the market rate of interest has not yet been so low as to enable it to be reduced. Unless, indeed, the market rate were decidedly under 3 per cent., it is most probable, were an attempt made to reduce the interest upon the 3 per cent. stock, that government would be called upon to pay off a large body of dissentients; that is, to pay them the principal sum funded, or from 130*l.* to 200*l.* for every 100*l.* originally received! This funding at a low rate of interest by means of an artificial increase of capital has been by far the greatest error committed in the management of the financial affairs of the empire since the Revolution. We believe we shall be decidedly within bounds if we estimate the present amount of the burden it has entailed on the country at from 7,000,000*l.* to 8,000,000*l.* a year!

Besides affording a ready means of providing for the public expenditure on any emergency, the funding system is also of considerable use at all times. The purchase of funded property affords a ready method of investment; and the ease with which it may be sold or transferred from one individual to another, gives great facilities for the successful prosecution of banking and other businesses, in which it is of importance to have ready methods of procuring the command of capital. The regularity, too, with which the interest is paid makes it a desirable security for individuals retired from or unacquainted with business to be possessed of; so that, how injurious soever in various respects, it is not to be denied that a moderate amount of national debt is useful to a very considerable number of persons.

Some of those who have argued against the practice of funding, have particularly deprecated borrowing from foreigners. Raynal contends that bargaining for loans from foreigners is, in effect, selling to them one or more provinces; and he doubts whether it would not be a more rational practice to deliver up the soil, than to cultivate it for their use.[2] Blackstone,[3] Hume,[4] and Montesquieu,[5] though they do not carry their objections to this ridiculous extreme, join, notwithstanding, in condemning the practice. But a more unprejudiced inquiry has shown the fallacy of these objections. If a loan be decided upon, and if it may be negotiated with foreigners, on more profitable terms than at home, it is certainly most advantageous to transact with them. It is to no purpose to contend that, as the money borrowed is spent in warlike operations, it yields no revenue, while the national income is burdened with the payment of the interest. Had the loan not been obtained from abroad, it must have been raised at home: and, therefore, it is obvious that though a transaction of this sort may force an annual payment to be made to a foreign country, it saves, at the same time, an equivalent portion of our capital, and gives us the means of making the payment. The objection in question is therefore quite untenable. And, in the event of government resolving to raise a loan, sound policy will dictate that it be negotiated wherever it can be had on the lowest terms, whether at home or abroad.

These observations will perhaps be sufficient to enable an estimate to be formed of the advantages and defects of the plans we have been considering. The radical defect of the funding system consists in its making the loss occasioned by war expenditure seem less than it really is, and in its not giving a sufficient stimulus to industry and economy. The plan, for raising the supplies within the year, by a corresponding increase of taxation, is free from this defect; it makes every one immediately furnish his share of the public outgoings; and thus, by making what would otherwise be a national burden, which no one would feel any particular interest in discharging, a debt affecting individuals, it tends to infuse a more powerful spirit of industry, invention, and economy, into all classes. On the other hand, however, the system of funding gives no sudden shock to industry. It habituates the public to bear their burdens; and by not calling on them to do too much at once, it perhaps enables them to do more in the end. Here, therefore, the advantage is on the side of the funding system. But when the government is powerful and firmly established, and the country wealthy, this advantage is not very material. One would not wish to speak with undue confidence on such a point, but there does not seem to be much doubt that an income tax of 8 or 10 per cent. might have been levied during the American war. And had an income tax of the same amount been imposed in 1793, it would have done far less injury to the manufactures and commerce of the country than was done by the great additions that were then made to the duties of customs and excise; while, by providing a considerable additional revenue, it would have obviated the necessity of funding largely, and on very disadvantageous terms, at the commencement of the war.

The payment of the national debt can be effected only by applying to that purpose such surplus revenue as the treasury may have to dispose of. But it was contended by the

[1] On the 10th October 1854 the 3½ per cents were reduced to 3 per cents.

[2] Histoire Philosophique, tome iv. p 663, ed. 1780.

[3] Commentaries, vol. i. p. 329.

[4] Essay on Public Credit.

[5] Esprit des Lois, liv xxii. ch. 17.

founders of the sinking fund, established in 1716, and still more strongly by Dr. Price and Mr. Pitt, the founders of the sinking fund of 1786, that if a certain amount of revenue be applied to buy up stock, and the dividends on that stock be afterwards uniformly applied to the same object, the sinking fund so formed will increase, at compound interest, so that the largest amount of debt may be defrayed almost without an effort. Dr. Price illustrated the operation of this principle by calculating the number of globes of gold, to which a penny laid out at compound interest at the commencement of our æra would now amount to. But though a calculation of this sort be theoretically true, it is practically false and absurd. The fact is that no sinking fund, even though it consist of a clear surplus revenue, ever operates at compound interest. It is true, that, by constantly applying any amount of free or surplus revenue, with the dividends accruing on the stock purchased, to buy up additional stock, the reduction of the funded debt, is effected in the same way as if the surplus revenue were increasing, by an inherent energy of its own, at compound interest. But it is essential to know that; though the *modus operandi* be the same, the means are radically and totally different. The debt is reduced because a portion of the produce of the taxes is systematically applied to pay it off, and it cannot be otherwise reduced. To make capital increase at compound interest, it must be employed in some sort of productive industry; and the profits, instead of being consumed as income, must be regularly added to the principal to form a new capital. It is unnecessary to say that no such sinking fund has ever existed. Those that have been set on foot in this and other countries, have all been supported either by loans or by the produce of taxes, and have never paid off a single farthing of debt by their own agency.

It is clear, from this statement, that when there is no surplus revenue, there can be no sinking fund. Dr. Price, however, did not scruple to lay it down broadly, that to suspend the sinking fund during war, though the expenditure might then greatly exceed the income, would be the greatest imaginable folly.[1] And inconceivable as it may now appear, all parties in parliament concurred in the soundness of this opinion, and approved the policy of keeping up the sinking fund machinery throughout the whole of the French war! Hence, the loans for the service of the year had to be increased by the entire amount of the sums placed at the disposal of the sinking fund commissioners; so that for every shilling's worth of stock transferred to them by this futile proceeding, an equal amount of new debt had to be contracted, exclusive of the loss incurred through the expense of management, &c.

For upwards of twenty years this pitiful juggle was kept up; parliament and the nation believing, notwithstanding the most decisive experience to the contrary, that it was rapidly diminishing the public debt! Dr. Hamilton, of Aberdeen, had the merit of dissipating this delusion, the grossest, certainly, that ever imposed on any people. He showed, in his work on the National Debt, published in 1813, that the sinking fund, instead of diminishing, had really added to the debt; and he proved to demonstration, that the excess of revenue above expenditure is the only sinking fund by which any part of the national debt can ever be discharged. "The increase of revenue," he observes, "or the diminution of expense, are the only means by which the sinking fund can be enlarged, and its operations rendered more effectual; and all schemes for discharging the national debt, by sinking funds operating at compound interest, or in any other manner, unless in so far as they are founded upon this principle, are completely illusory." The loss that this delusive piece of quackery entailed on the country during last war, has been estimated, apparently on good grounds, at about 600 000*l.*!

At length the folly of contracting debt, for no purpose other than to pay it off, became obvious to every one; and the nominal amount of the sinking fund began to be diminished after the close of the war. In 1819, it was attempted to form a real sinking fund of 5,000,000*l.*, that is, to maintain a real surplus revenue of that extent. But as this could not always be done, after various modifications, an end was put to the entire system in 1829, the stat. 10 Geo. IV. c. 27. having enacted, that the sum applicable in future to the reduction of the national debt should be the surplus, if any, of the total revenue beyond the total expenditure of the kingdom.[2]

[1] Appeal to the Public on the Subject of the National Debt, p. 17, ed. 1774.

[2] For farther and more ample information in regard to the taxes mentioned in these notes, the Income tax, the Funding system, &c., we beg to refer the reader to the 3rd edition of our treatise on "Taxation and the Funding System," published in 1853.

ACCOUNT of the PRINCIPAL (FUNDED and UNFUNDED), and ANNUAL CHARGE of the PUBLIC DEBT of the UNITED KINGDOM, at different Periods, from the Revolution downwards:*—

	Principal, Funded and Unfunded.	Interest and Management.
	£	£
Debt previously to the Revolution in 1689 - - -	664,263	39,855
Excess of Debt contracted during the reign of William III. above Debt paid off - - - - - -	12,102,962	1,175,469
Debt at the accession of Queen Anne in 1702 - -	12,767,225	1,215,324
Debt contracted during the reign of Anne - - -	23,408,235	1,847,811
Debt at the accession of George I. in 1714 - - -	36,175,460	3,063,135
Debt contracted during the reign of George I. - -	16,348,463	†
Debt at the accession of George II. in 1727 - -	52,523,923	2,360,934
Debt contracted between the accession of George II. and the Peace of Paris in 1763, three years after the accession of George III., above Debt paid off - - -	80,192,126	2,671,799
Debt in 1763 - - - - - -	132,716,049	5,032,733
Debt paid off from 1763 to 1775 - - - -	5,873,238	329,214
Debt at commencement of American war in 1775 - -	126,842,811	4,703,519
Debt contracted during the American war - - -	118,624,044	4,961,022
Debt after conclusion of the American war in 1786 -	245,466,855	9,664,541
Debt paid from 1786 to 1793 - - - -	5,803,434	232,362
Debt at commencement of French war in 1793 - -	239,663,421	9,432,179
Debt contracted during French war - - -	591,507,711	21,880,689
Debt at the consolidation of the English and Irish Exchequers at the commencement of 1817 - - -	839,382,145	31,591,927
Excess of Debt cancelled over Debt contracted from 1817 to 31st March 1862 - - - - -	38,611,907	5,425,226
Debt on 31st March 1862, and charge thereon during preceding year - - - - - -	800,770,238	26,166,701

* The corresponding table given in the former edition of this work, was principally taken from Dr. Hamilton's book on the National Debt. The above, which differs considerably from its predecessor, and is the more accurate, is taken from a very elaborate paper, compiled by Mr. Chichester, of the Exchequer, showing the progress of the debt since 1691.—Parl. Paper, No. 443, Sept. 1858.

† Interest on debt reduced.

It may, however, be right to observe that it is very difficult to form any correct statement of the amount of the National Debt, and that the accounts of its magnitude at different periods rarely coincide. This arises from the fact of its consisting of different component parts, that is, of interminable annuities and annuities terminable at different periods, which it is difficult to convert into their equivalents in the former, of exchequer bills of different varieties, &c. The exact amount of the debt is, however, a matter of little consequence. The really important element is the charge on its account. "The public debt," to use the words of Lord Grenville, "consists not in capital but in annuities; and all reductions of it are, therefore, reductions not of capital but of annuities. That debt is continually spoken of as if it were composed of the nominal amount of our public securities, but it is really composed only of the annual payments guaranteed by those securities. Nothing is debt except what some person may, in justice or in equity, demand; and no one can claim from the nation any part of the principal of our public funds. The annual income which the stockholder derives from them is all which, in any sense, is his right; but that right is inviolable. The state has not borrowed his money at interest under any obligation of repayment, but has sold him an annuity."[1] It is optional, however, for the state to redeem, when it thinks fit, any portion of this annuity by paying off the stock at par of which it is really the interest.

1 Essay on Sinking Fund, p. 29.

ACCOUNT of the PUBLIC INCOME of the UNITED KINGDOM, specifying its different Sources, and the Amount derived from each, during 1861 and 1862.

INCOME.	1861.		1862.	
CUSTOMS AND EXCISE.	£	£	£	£
Spirits { Foreign	890,169		928,716	
Spirits { Rum	1,733,446		1,720,593	
Spirits { British	9 225,539		9,618,291	
Malt	6,203,813		5,866,302	
Hops	630,135		324,854	
Wine	1,144,794		1,104,476	
Sugar and Molasses	6,067,390		6,3-3 2-9	
Tea	5,419,552		5,516,584	
Coffee	439,422		439,078	
Tobacco and Snuff	5,605,488		5,596,211	
		37,365,748		37,493,394
Currants and Raisins	321,062		316,204	
Corn	868,526		800,895	
Pepper	97,307		103,344	
Paper	1,342,186		349,269	
Timber	235,792		241,303	
Charges on Deliveries, Bills of Lading, &c., 23 Vict. c. 22, and 23 & 24 Vict. c. 110.	181,812		220,959	
Excise Licences / Post-horse Duties	1,492,687		1,500,613	
Game Certificates	129,906		140,984	
Hackney Carriages	87,751		91,184	
Stage Carriages	127,983		125,422	
Railways	366,240		372,178	
Miscellaneous of Customs and Excise	209,448		224,745	
		5,460,635		4,487,101
TOTAL CUSTOMS AND EXCISE		42,826,383		41,980,495
STAMPS.				
Deeds and other Instruments	1,327,348		1,336,152	
Probates and Legacies	3,450,119		3,573,658	
Insurances { Marine	325,342		335,199	
Insurances { Fire	1,485,540		1,534 870	
Bills of Exchange and Bankers' Notes	643 442		552,216	
Newspapers and Advertisements	134 090		128 127	
Receipts	436,602		423,954	
Other Stamp Duties	666,346		706,508	
		8,368,869		8,690,654
ASSESSED AND LAND TAXES.				
Land Tax	1,144,672		1,131 984	
Houses	822,936		826,623	
Servants	202,105		201,317	
Horses	365,212		368,825	
Carriages	330,192		342 749	
Dogs	197,520		196,527	
Additional 10 per cent.	1,946		1,432	
Other Assessed Taxes	77,417		73 375	
		3,145,070		3,135,862
PROPERTY AND INCOME TAX		10,957,061		10,471,208
POST OFFICE		3 4 7,063		3,552,696
CROWN LANDS		412,451		417,408
Other Ordinary Revenue, and other Resources		1,453,101		1 747 534
TOTAL INCOME		70,569,998		69,900,857
Excess of Expenditure over Income		2 474 670		2,250 929
		73,044,668		72,151,786

ACCOUNT of the EXPENDITURE of the UNITED KINGDOM during 1861 and 1862; specifying the different Items and the Amounts of each.

EXPENDITURE.	1861. £	1861. £	1862. £	1862. £
REVENUE.—CHARGES OF COLLECTION.				
Civil Departments { Customs	753,114	– –	714,909	
Civil Departments { Inland Revenue	1,344,934	– –	1 295,267	
		2,098,048		2,010,175
Preventive Service, Harbour Vessels (Customs)	– –	2,373	– –	3,381
		2 100,421		2,013,556
Land Revenues of the Crown	– –	30,948	– –	29,044
Superannuation and other Allowances	– –	446 687	– –	468,576
TOTAL CHARGES OF COLLECTION OF THE REVENUE, EXCLUSIVE OF POST OFFICE	– –	2,578,096	– –	2,511,180
PUBLIC DEBT.				
Interest on Permanent Debt	23,672,153	– –	23,616,932	
Terminable Annuities	1,946,633	– –	1,837,9 8	
Management*	70,031	– –	56,806	
Unclaimed Dividends repaid	142,114	—	—	
	25,830,931	– –	25,541,706	
Interest on Exchequer Bills	300,087	– –	478,400	
Interest on Exchequer Bonds	100,000	– –	122,500	
TOTAL DEBT		26,231,018		26,142,606
CIVIL GOVERNMENT.				
Civil List—Privy Purse; Salaries of the Household and Tradesmen's Bills.	371,800	– –	371,800	
The Allowances to the several Branches of the Royal Family, and to his Royal Highness Leopold, Prince of Saxe Coburg (now King of the Belgians).†	143,235	– –	115,937	
The Lord Lieutenant of Ireland's Establishment	25,251	– –	26,242	
The Salaries and Expenses of the Houses of Parliament (including Printing).	158,369	– –	139,040	
Civil Departments, including Superannuation Allowances	716,496	– –	714,528	
Other Annuities, Pensions, and Superannuation Allowances on the Consolidated Fund.	202,537	– –	197,025	
Pensions, Civil List	18,160	– –	19,260	
TOTAL CIVIL GOVERNMENT		1,635,848		1,583,812
JUSTICE.				
Courts of Justice	1,171,005	– –	1,200,095	
Police, and Criminal Prosecutions	1,273,631	– –	1,291,052	
Correction	791,709	– –	941,991	
TOTAL JUSTICE		3,236,345		3,433,138
DIPLOMATIC.				
Foreign Ministers' Salaries and Pensions	172,459	– –	174,424	
Consuls' Salaries and Superannuation Allowances	239,796	– –	171,007	
Disbursements, Outfits, &c.	94,427	– –	91,000	
TOTAL DIPLOMATIC		506,681		436,431
FORCES.				
Army, including { Effective; Charge	12,522 926	– –	13,371,257	
Army, including { Ordnance { Non-effective; Charge	2 447,074	– –	2,199,612	
TOTAL ARMY	14,970,000	– –	15,570,869	
Navy { Effective; Charge	12,074,712	– –	11,276,440	
Navy { Non-effective; Charge	1,256,956	– –	1,321,602	
TOTAL NAVY	13 331,668	– –	12,598,042	
TOTAL FORCES		28 301,668		28,168,911
Operations in China (Naval and Military)	3,043,896	– –	1,230,000	
Expenses of Fortifications, 23 & 24 Vict. c. 109	50,000	– –	970,000	
Extraordinary Expenses of the late Russian War	– –	– –	53 431	
		8,093,896		2 253,131
Bounties, &c., for promoting Fisheries		11,098	– –	21,018
Public Works		810,631	– –	879,261
Payments out of the Revenue of Crown Lands, for Improvements, &c.		91,449	– –	108,095
Post Office: Charges of Collection and other Payments		2,006,294	– –	2,131 348
Quarantine Establishments		3 500	– –	3,044
Miscellaneous, not classed under the foregoing Heads		4 537,504	– –	4,478,921
TOTAL EXPENDITURE		73 014,668	– –	72,151,785
MEMORANDUM:—				
The Amount of Terminable Annuities at the end of each Year was		1,860 473	– –	1 913,184
In corresponding Perpetuities, as estimated by Mr. Finlaison		568 432	– –	581,166
DIFFERENCE		1,292,041	– –	1,332,018

* The sums are the net amounts paid to the Bank of England after deducting 80,000*l.* for composition for Stamp Duty, and 128 67*l.* for allowance out of the profits of issue, per Act 7 & 8 Vict. c. 32., and do not include the management of the Government debt to the Bank.

† No part of this Allowance is at present paid for the use of King Leopold. The Trustees, after discharging certain Annuities and Pensions to the establishment of the late Princess Charlotte, repay the Balance of the Annuity to the Exchequer. The sum so repaid in the last year was 35,000*l.*

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*** *n* signifies Note, at the bottom of the page.

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